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Fiscal Year 1984 Finance Committee Report

Under the

Congressional Budget Act

Prepared by the Staff for the Use of the

COMMITTEE ON FINANCE
UNITED STATES SENATE

ROBERT J. DOLE, *Chairman*

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CONTENTS

Page

Summary: Impact of Congressional Budget Act on Finance Committee 1

Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344) 3

- 1. Overall view 3
  - Outline of congressional budget process under Public Law 93-344 3
  - Waiver of rules regarding budget procedure 3
- 2. Impact of Public Law 93-344 on Finance Committee 4
  - Legislation which results in additional Federal spending 4
  - Legislation relating to revenues and debt limit 6

Charts and description:

- 1—Report to Budget Committee 11
- 2—Economic assumptions 14
- 3—Major expenditure programs under Finance Committee jurisdiction 16
- 4—Social security cash benefit trust funds—Fiscal years 1982-87 19
- 5—Social security cash benefit programs: Proposed legislation 29
- 6—Unemployment compensation 37
- 7—Welfare programs for families 44
- 8—Social services 56
- 9—Supplemental security income 58
- 10—Medicare trust funds—Under present law 64
- 11—Health programs: Present law 66
- 12—Health programs: Administration legislative and regulatory proposed changes 70
- 13—Revenue sharing: Interest on the public debt 78
- 14—Revenues: Present law 82
- 15—Revenues: Proposed legislation 84
- 16—Tax expenditures: Present law 90
- 17—Debt limit 92

Appendix A—Committee on Finance 1982 report to the Budget Committee with respect to fiscal year 1983 95

Appendix B—Excerpt from Public Law 93-344—The Congressional Budget and Impoundment Control Act of 1974 103

Appendix C—Tax expenditures by function—Excerpt from Special Analyses G of the Budget of the United States, pages G-31-G-33 121

SUMMARY: IMPACT OF CONGRESSIONAL BUDGET ACT ON FINANCE COMMITTEE

The Congressional Budget Act of 1974 (titles I–IX of Public Law 93–344), provides the mechanisms and procedures for Congress to establish its own annual Federal budget and to consider spending, revenue, and debt limit legislation in the context of that budget. The provisions of the act have a number of effects on the consideration of legislation handled by the Committee on Finance.

The major provisions affecting the Finance Committee are the following:

1. By March 15 of each year, the Finance Committee must submit a report to the Budget Committee estimating the effect that Finance Committee legislation will have on expenditures, revenues, and the debt limit during the next fiscal year, and presenting the committee's views and estimates with respect to revenues and the debt limit. By request of the Budget Committee this date was pushed up to March 1 for this year. (Last year's report appears in appendix A of this pamphlet.)
2. Certain kinds of legislation have to be handled before specific dates. Revenue and debt limit legislation for the upcoming fiscal year, and legislation increasing expenditures in such areas as social security and welfare, cannot be considered by the Senate before May 15. However, procedures are provided for waiving these restrictions, ordinarily by obtaining Budget Committee approval of a resolution permitting immediate Senate consideration. Authorizing legislation must be reported before May 15.
3. If the Finance Committee reports legislation affecting welfare, medicaid, social services, and other non-trust-fund entitlement programs, and it exceeds the amount budgeted in the most recent concurrent budget resolution, the legislation is to be referred to the Appropriations Committee for 15 days.
4. By May 15, Congress completes action on a first concurrent budget resolution for the coming fiscal year setting appropriate revenue, spending, and deficit levels. While the amounts shown in this first resolution are not binding in the sense that they can subject a bill to point of order, they are intended to serve as overall guidelines in the consideration of revenue and spending legislation.
5. In September of each year, the Congress debates and adopts a concurrent resolution setting appropriate spending, revenue, and debt limit levels for the coming fiscal year. The resolution can direct the Finance Committee to report legislation raising taxes or cutting back on spending programs within the committee's jurisdiction. The overall spending and revenue totals in the second resolution are binding.

CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974 (PUBLIC LAW 93-344)

1. Overall View

OUTLINE OF CONGRESSIONAL BUDGET PROCESS UNDER PUBLIC LAW 93-344

On April 15 of each year, the Budget Committees of the House and Senate report to their respective Houses a concurrent resolution which is, in effect, a congressional budget document setting forth appropriate levels for spending, revenues and public debt for the coming fiscal year. The spending levels are broken down into functional categories (such as "health," "income security," "national defense"). The recommendations in the resolution reported by the Budget Committee are subject to debate and amendment. When agreed to by House and Senate (by May 15), the resolution represents congressional judgment of the appropriate fiscal situation for the coming year, although the amounts set forth in it are not otherwise binding.

After the May 15 adoption of the concurrent resolution, action on spending and revenue bills proceeds through early September. In the first half of September, a second concurrent resolution on the budget is considered by the Congress, which revises or reaffirms the earlier resolution and which can direct the appropriate committees to report legislation changing spending, revenue, or debt limit levels (or any combination of the three). Upon adoption of the resolution, committees directed to do so are to report the legislation called for by the the resolution, and this legislation is then debated by Congress as part of a "reconciliation bill." Public Law 93-344 calls for action on this reconciliation bill to be completed by September 25, 5 days before the start of the new Federal fiscal year which will run from October 1 to September 30.

WAIVER OF RULES REGARDING BUDGET PROCEDURE

All the rules applicable to Senate procedures under the Congressional Budget Act can be suspended by a majority vote of the Senate. In addition, the act includes a special waiver procedure in connection with the provisions requiring that authorization bills not be acted on after May 15 and that revenue, debt limit, and spending bills (including social security, welfare, etc.) not be acted on before May 15. If a committee wished to have such legislation considered outside of the prescribed time, it would report out a resolution providing for waiver of the rule. This resolution would be referred to the Budget Committee which would have 10 days in which to consider and make its recommendations with respect to the waiver. Once the resolution is approved by the Budget Committee (or after 10 days in any case), the resolution of waiver would be voted upon by the Senate, and, if it is approved, the Senate could proceed to consider the legislation.

2. Impact of Public Law 93-344 on Finance Committee

LEGISLATION WHICH RESULTS IN ADDITIONAL FEDERAL SPENDING

Annual report to Budget Committee.—Each year, prior to the consideration of the first concurrent resolution on the budget, each committee is required to make a report to the Budget Committee estimating the amount of additional Federal spending during the coming fiscal year which will result from legislation under the committee's jurisdiction. By statute this report is due no later than March 15. In recent years, the Budget Committee has sent letters to each committee requesting that views also be provided with respect to the 5-year budgetary outlook. The date by which the Budget Committee wishes to report the First Budget Resolution has been advanced this year. As a result, the Budget Committee has asked the Finance Committee for its report by March 1.

Report after adoption of concurrent budget resolution.—The conference report on each budget resolution allocates the outlay and budget authority totals among the various committees. Each committee is then required, after consultation with the appropriate counterpart committee in the House of Representatives, to subdivide its allocation of new budget authority and outlays among the programs under its jurisdiction (or among its subcommittees). These allocations subsequently serve as the basis for scorekeeping reports and for judging whether particular legislative proposals are consistent with the budget resolution.

Limitation on consideration of spending bills.—The Congressional Budget Act provides that bills involving entitlement programs (such as welfare or medicaid) and bills directly increasing budget authority (such as social security or unemployment insurance) may not be considered in the Senate prior to the adoption of the first concurrent budget resolution. This requirement may be waived under the special waiver procedure or by a majority vote of the Senate to suspend this rule. The act also requires that action on legislation of this type be completed by the seventh day after Labor Day. In addition, entitlement legislation (other than trust fund legislation) reported after January 1 of any year may not have an effective date prior to October 1 of that year.

Deadline for reporting authorizing legislation.—Legislation which authorizes appropriations (but does not necessarily require them) has to be reported by May 15 preceding the fiscal year for which the appropriations are authorized. (The act includes a procedure under which this deadline may be waived by Senate resolution; the rule may also be suspended by a majority vote of the Senate.) The Committee on Finance has jurisdiction over some programs which fall in this category, such as grants to States for child welfare services and for maternal and child health. However, if such authorizations are included in social security trust fund bills (which may not be reported prior to May 15), this provision does not apply.

Impact of concurrent budget resolutions on legislation.—The first concurrent resolution, which is to be passed by May 15, sets targets for spending in various areas. A second concurrent resolution is to be passed in mid-September, and this resolution not only sets appropriate spending levels but may direct the committees having jurisdiction over spending legislation to report measures to rescind previously enacted spending authority so as to bring spending for the coming fiscal year within the levels determined to be appropriate. In the case of the Committee on Finance, this may include a requirement that the committee report legislation to defer or reduce benefits under entitlement programs including both trust fund programs (such as unemployment insurance or social security) and non-trust-fund programs (such as welfare, social services or medicaid).

After the beginning of a fiscal year, new spending measures for that fiscal year would be subject to a point of order if they would cause the spending limits in the concurrent resolution passed just before the beginning of that year to be exceeded. In the case of the Committee on Finance, this limitation would apply to entitlement legislation dealing with both trust fund and non-trust-fund programs. (A new concurrent resolution could, however, be passed to authorize such additional spending, or the rule could be suspended by a majority vote of the Senate.)

While the budget totals included in the first resolution are in the nature of targets and are not strictly mandatory, they tend to establish fairly firmly the guidelines within which the Congress considers legislation affecting revenues and spending. Thus, if unrealistic objectives are used in setting first resolution totals, committees may subsequently find their ability to act on desired legislation impaired.

Appropriations Committee review of entitlement bills.—Legislation in such areas as supplemental security income, welfare, social services, or medicaid creates an entitlement to payments on the part of individuals or State or local governments even though these programs are funded through appropriations acts. The Congressional Budget Act requires that any future legislation which would create new entitlement programs or increase existing ones must be referred to the Appropriations Committee for a period of 15 days after it is reported by the substantive committee, if its enactment would exceed the amount provided for in the most recent budget resolution. The Appropriations Committee could not recommend any substantive changes in the legislation (e.g., lower individual benefit amounts), but it could recommend an amendment to limit the total amount of funding available for the legislation. If such amendment is approved by the Senate, the substantive committee might have to propose a further amendment to conform the legislation to that funding limit.

The requirement of referral to the Appropriations Committee would not apply to legislation affecting existing Social Security Act trust fund programs or other trust fund programs substantially funded through earmarked revenues. It would also not apply to legislation amending the general revenue sharing program to the extent that such legislation included an exemption from that requirement.

In the past, refundable tax credits were treated for purposes of the Congressional Budget Process as revenue reductions. Under revised procedures adopted in 1978, the budget process now treats the refundable aspects of such credits as "outlays" thus bringing them within the scope of the above described provisions related to Appropriations Committee review of entitlement bills. In addition, the authority previously used for disbursing the refundable part of tax credits has been the permanent appropriation for tax refunds. This permanent appropriation was amended in 1978 so as to require annual appropriations for this purpose. The text of the provision reads as follows:

> "No disbursement may be made from the appropriation to the Treasury Department entitled 'Bureau of Internal Revenue Refunding Internal-Revenue Collections' except (a) refunds due from any credit provision of the Internal Revenue Code enacted prior to January 1, 1978.". (Sec. 304, P.L. 95-355.)

Report on spending legislation.—The Congressional Budget Act requires the committee, in reporting legislation involving increased spending, to include in the report information showing how that spending compares with the amount of spending provided for in the most recent concurrent budget resolution and showing the extent to which the legislation provides financial aid to States and localities. In addition, the report is required, to the extent practicable, to provide a projection for five fiscal years of the spending which will result from the legislation.

LEGISLATION RELATING TO REVENUES AND DEBT LIMIT

Annual report to the Budget Committee.—The March 15 annual report to the Budget Committee (due March 1 this year) which is described above also must, in the case of the Finance Committee, present its views and estimates of the committee with regard to revenues and the debt limit.

No revenue legislation prior to May 15.—Under the Budget Act, debt limit or revenue legislation for the upcoming fiscal year is not in order for consideration by the Senate (or House) prior to the adoption of the first concurrent resolution on the budget. This rule would not prevent action on revenue changes to be effective in years after the upcoming fiscal year. (A procedure for waiving this limitation is provided for; the rule could also be suspended by a majority vote of the Senate.)

The exact wording of this provision of the Budget Act is not entirely clear. In 1978, the Senate Budget Committee adopted the position that this restriction required that there be no increase or decrease in revenues to become effective in the next fiscal year for which no budget resolution had been adopted. In other words, under this interpretation, there would always be one "closed year" for which no revenue change could be considered. Consequently, a point of order was raised during the consideration of the 1978 taxcut bill (H.R. 13511) against an amendment by Senator Roth on the grounds that it provided for a revenue change effective in fiscal year 1980. (The first budget resolution for fiscal year 1980 would not have been adopted until approximately May 15, 1979.) The position of the Finance Committee was that this restriction in the Budget Act only applied from the beginning of the calendar year, when the process of developing the fiscal 1980 budget resolution has begun. Once that resolution has been approved, revenue changes may be considered throughout the remainder of the calendar year which would be effective for the fiscal year to which the resolution applies and for any future fiscal year.

The point of order raised by the Budget Committee was sustained by the chair, but the ruling of the chair was overturned by the Senate on a vote of 38 to 48. This occurred on October 5, 1978.

Impact of budget resolution.—As with spending measures, the first concurrent resolution adopted in mid-May sets targets with respect to revenue and debt limit legislation, and the second concurrent resolution in September may direct the Committee on Finance to report legislation to achieve the changes in aggregate revenues or in the debt limit which the Congress determines to be appropriate. Such legislation would have to be reported in time to be included in the reconcilation bill which would be acted upon before the October 1 start of the fiscal year. Once a second resolution on the budget is adopted by the Congress, any legislation which would cause the total revenues to be reduced below the level specified in the budget resolution would be subject to a point of order. If the second budget resolution sets a revenue target which exactly matches the projected revenues under existing law (or any expected modifications to existing law), even minor bills having nearly negligible revenue impacts can be rejected on a point of order. As indicated above in describing the impact of the resolution on spending legislation, even the "nonmandatory" first resolution tends to be given great weight in the actual consideration of legislation. Thus, if the first resolution includes unrealistic revenue goals, the committee may face difficulties in the consideration of any revenue legislation.

Required report on tax expenditures.—The Congressional Budget Act defines the term "tax expenditures" to include any revenue losses attributable to tax provisions such as income exclusions, tax credits or deferrals, or preferential tax rates. The law requires that the committee report accompanying legislation to provide new or increased tax expenditures include information as to how such legislation will affect the level of tax expenditures under existing law. The report will also have to include (to extent practicable) a projection of the tax expenditures resulting from the legislation over a period of five fiscal years.

CHARTS AND DESCRIPTION

Chart 1

Report to Budget Committee

- Views and estimates of Finance Committee on:
    - Expenditures
    - Revenues
    - Tax expenditures
    - Public debt
- Relating both to existing law and proposals to change existing law

Chart 1

Report to Budget Committee

Under the Congressional Budget Act of 1974, the Committee on the Budget is required by April 15 of each year to report to the Senate a concurrent resolution on the budget which is, in effect, a proposed congressional budget document setting forth appropriate levels of Federal expenditure and revenue, surplus or deficit, and related matters. To assist the Budget Committee in making the judgments necessary to develop such a congressional budget the act also mandates that each committee send to the Budget Committee its views and estimates on those aspects of the budget which fall within its jurisdiction. This report is due by March 15 of each year. This year the Budget Committee has asked that the report be sent by March 1 to allow the Budget Committee to report out a budget resolution prior to April 15.

In the case of the Committee on Finance, the report to the Budget Committee must cover the expenditure programs under Finance Committee jurisdiction which are listed on chart 3, Federal revenues, tax expenditures, and the public debt. With respect to each of these matters, the committee is required to provide its views and estimates as to the levels anticipated under existing law or under any changes to existing law which the committee expects. The period to be covered by the report to the Budget Committee is fiscal year 1983 (October 1982 to September 1983). The Budget Committee has requested that committees also include their views on the 5-year budgetary outlook. The report sent to the Budget Committee last year is reprinted in Appendix A of this document.

Section 301(c) of the Congressional Budget Act which deals with the March 15 report to the Budget Committee is included in the excerpts from that act which appear at the end of this pamphlet as Appendix B.

Chart 2.—ECONOMIC ASSUMPTIONS

[Dollars in billions]

	1982	1983	1984	1985	1986	1987
Gross national product:						
Current dollars	$3,058	$3,262	$3,566	$3,890	$4,232	$4,599
Constant (1972) dollars	$1,476	$1,496	$1,555	$1,617	$1,682	$1,749
Percent change in real GNP	—1.8	1.4	3.9	4.0	4.0	4.0
Personal income	$2,570	$2,727	$2,935	$3,142	$3,377	$3,661
Wages and salaries	$1,560	$1,640	$1,780	$1,921	$2,090	$2,281
Corporate profits	$175	$177	$206	$246	$296	$316
Percent change in CPI	6.0	4.9	4.6	4.9	4.6	4.5
Unemployment rate, annual average (percent)	9.5	10.7	9.9	8.9	8.1	7.3
Treasury bill rate (91-day) (percent)	10.7	8.0	7.9	7.4	6.8	6.5

Chart 2

Economic Assumptions

The March 15 report to the Budget Committee, due March 1, that is required by the Congressional Budget Act of 1974 represents the Finance Committee's views as to revenues, expenditures and other budgetary matters for the coming fiscal year both under existing law and under any anticipated changes. The level of these items, however, is affected not only by legislation but also by various economic factors concerning which there reasonably may be differences of opinion. These differences can reflect divergent viewpoints as to how the economy will operate and also divergent viewpoints as to the type of legislation that may be enacted and its effect on the operations of the economy. Different programs are particularly sensitive to different aspects of the economy. For example, expenditures under social security are sensitive to the Consumer Price Index since that program includes an automatic cost-of-living increase provision. The unemployment insurance program does not incorporate such a provision but is, of course, particularly sensitive to the amount of unemployment. Revenues, similarly, are strongly affected by the level of personal income and of corporate profits, and, in the case of payroll tax revenues, by wages and salaries. Personal income tax receipts also are affected by inflation, as rising nominal wages increase taxable income. (Under current law, after 1984, tax rates will be indexed which will lower the amount of additional revenue generated by rising prices and wages.) In addition, trends in interest rates and the rate of inflation affect the cost of interest on the public debt.

This chart presents a selection of the most significant economic indicators as taken from the President's budget.

Chart 3

Major Expenditure Programs Under Finance Committee Jurisdiction

- Social security cash benefits (see charts 4 and 5):
  - Old-age and survivors insurance (OASI)
  - Disability insurance (DI)
- Unemployment compensation (see chart 6)
- Welfare programs for families (see chart 7):
  - Aid to families with dependent children
  - Work incentive program
  - Child support enforcement
- Social services (see chart 8)
- Supplemental security income for the aged, blind, and disabled (see chart 9)
- Health programs (see charts 10–12):
  - Medicare
  - Medicaid
  - Maternal and child health
- Revenue sharing (see chart 13)
- Interest on the public debt (see chart 13)

Chart 3

Major Expenditure Programs Under Finance Committee Jurisdiction

This chart lists the major programs involving an expenditure of Federal funds which come within the legislative jurisdiction of the Committee on Finance. Each of these programs is covered in more detail in the following charts. Interest on the public debt is included as an expenditure program since it does constitute a significant part of the Federal expenditures budget even though the level of expenditure in this category is not subject to legislative control by the committee in the same sense as expenditures under the other programs listed.

Under a revision in the Congressional budget procedures adopted in the 95th Congress, refundable tax credits are now treated as revenue items insofar as they serve to reduce tax liability and as "outlay" items insofar as they exceed tax liability. Because such provisions are in fact considered by the committee and the Congress in the context of revenue legislation, however, they are discussed in this document at the same point as other revenue items. The refundable tax credit having significant budgetary impact in fiscal 1984 is the earned income tax credit.

Chart 4.—SOCIAL SECURITY CASH BENEFIT TRUST FUNDS (OASDI)

[In billions of dollars]

	Fiscal year—					
	1983	1984	1985	1986	1987	1988
Present Law: [1]						
Income [2]	163.6	162.0	180.0	197.4	213.2	232.3
Outgo	171.3	183.1	197.2	212.3	228.1	244.6
Increase or decrease in trust funds	−7.7	−21.1	−17.2	−14.9	−14.8	−12.2
End of year balance in trust funds	11.6	−9.5	−26.7	−41.6	−56.4	−68.6

[1] These are projections under present law based on the economic assumptions in President Reagan's FY 1984 Budget. They do not reflect the impact of proposed social security legislation. The FY 1983 income figure reflects the interfund transfers made to the OASI trust fund (authorized under P.L. 97–123) of $17.5 billion from the DI and HI trust funds ($5.1 billion from DI, $12.4 billion from HI).

[2] Income to the trust funds is treated as "budget authority" under the accounting system used in the budget process.

Source: SSA, Office of the Actuary, February 7, 1983.

Chart 4

Social Security Cash Benefit Trust Funds—Financial Status for Fiscal Years 1984-87

The social security payroll tax supports the basic social security cash benefit programs for individuals who work in employment covered by that tax and their families. The old-age and survivors insurance (OASI) program provides retirement benefits for insured workers at age 62 and the disability insurance (DI) program provides benefits for insured workers of any age who are unable to engage in substantial work activity. Benefits also are provided to the surviving spouse and children of deceased workers and to the dependent spouse and children of disabled or retired workers.

In fiscal year 1984, 21.6 million people age 62 or over, and 3.6 million of their dependents, will be eligible for social security retirement benefits. About 7.3 million people will receive benefits because they are survivors of deceased workers, and 4.0 million more people will receive benefits because they are disabled workers or dependents of disabled workers. In total, approximately 37 million people will be receiving some type of social security cash benefits.

Numerous changes in the OASDI program were made during the 97th Congress in the Omnibus Reconciliation Act of 1981, the Social Security Amendments of 1981, the Tax Equity and Fiscal Responsibility Act of 1982 and the Disability Amendments of 1982. As a result of these actions, savings were achieved, some additional income was provided, and interfund borrowing was authorized on a temporary basis. Despite this legislation, the social security system faces significant financial problems. Weak economic growth has constrained payroll tax collections while inflation has resulted in relatively large increases in indexed benefits. Trust fund assets relative to outgo have been seriously eroded as aggregate outgo has exceeded income in the last 8 years.

Under the President's and CBO's fiscal year 1984 budget assumptions, the OASI reserves, including the supplements permitted under the interfund borrowing authority, are insufficient to finance full benefits beyond June 1983. If Congress reauthorizes interfund borrowing, reserves of OASI and the other trust funds, together, are projected to fall below the potential danger level of 13 percent of 1 year's outgo sometime late in 1983 under CBO assumptions and under Administration budget assumptions. Reserves show further deterioration during the balance of the 5-year budgeting period.

Social Security actuaries consider a reserve ratio of 13 percent at the start of a calendar year the critical point because even a small error in the estimates or unforeseen fluctuations in the flow of income and outgo may cause reserves to fall below 1 month's benefits at some point during the year. The actuaries point out that a *minimum* 4 to 5 percentage-point spread between the potential danger level (13 percent) and the actual level of insolvency (9 percent) is needed to avoid cash-flow problems. On a fiscal year basis, the comparable reserve ratios are 3 to 4 points higher, with insolvency occurring at the 12 to 13 percent level.

ASSETS OF THE COMBINED OASDI AND OASDHI TRUST FUNDS AT THE BEGINNING OF THE YEAR AS A PERCENT OF OUTGO DURING THE YEAR—PRESENT LAW

[In percent]

	Calendar year—					
	1983	1984	1985	1986	1987	1988
Old Age, Survivors, and Disability Insurance (OASDI):						
Administration	14	2	−10	−17	−22	−27
CBO	14	3	−8	−12	−16	−18
Old Age, Survivors, Disability, and Hospital Insurance (OASDHI):						
Administration	15	5	−6	−12	−18	−23
CBO	15	6	−3	−7	−11	−16
	Fiscal year—					
	1983	1984	1985	1986	1987	1988
Old Age, Survivors, and Disability Insurance (OASDI):						
Administration	11	6	−5	−13	−18	−23
CBO	11	7	−3	−9	−12	−15
Old Age, Survivors, Disability and Hospital Insurance (OASDHI):						
Administration	19	9	0	−8	−13	−19
CBO	19	10	1	−4	−8	−12

Source: Office of the Actuary/SSA; Office of the Actuary/HCFA; and CBO.

The following table displays the economic assumptions behind the President's fiscal year 1984 budget estimates as compared to CBO's most recent economic forecasts. These assumptions primarily differ from last year's assumptions in projecting higher real wage growth and unemployment and a lower rate of inflation. The first two factors more than offset the savings to the system from the lower rate of inflation and result in more serious funding problems for the system than were projected a year ago.

ADMINISTRATION AND CBO ECONOMIC ASSUMPTIONS RELATED TO OASDI PROGRAM

[In percent]

Calendar year	CPI increase		COLA increase		Real wage differential		Unemployment rate	
	Administration [1]	CBO [2]	Administration [1]	CBO [2]	Administration [1]	CBO [2]	Administration [1]	CBO [2]
1983	4.9	3.8	5.1	4.1	−0.5	1.0	10.9	10.6
1984	4.6	4.6	4.8	4.6	1.5	1.1	10.0	9.8
1985	4.6	4.4	4.5	4.5	.7	1.1	9.0	9.0
1986	4.6	4.1	4.7	4.2	2.0	1.5	8.2	8.4
1987	4.5	3.9	4.5	4.0	2.3	1.6	7.4	8.0
1988	4.4	3.7	4.5	3.8	2.3	2.0	6.6	7.5

[1] Economic assumptions underlying the FY 1984 President's Budget.

[2] CBO's February 1983 economic assumptions.

Source: Congressional Budget Office and the Office of the Actuary/SSA.

ESTIMATED OPERATIONS OF THE OASI, DI, AND HI TRUST FUNDS BASED UPON THE PRESIDENT'S FY 1984 BUDGET ASSUMPTIONS—PRESENT LAW

[in billions of dollars]

	Fiscal year—					
	1983	1984	1985	1986	1987	1988
	Old age and survivors insurance (OASDI)					
Total outlays	153.2	164.7	178.3	192.6	207.3	222.5
Income	144.9	135.6	147.8	160.3	171.8	186.1
Year-end balance	4.3	−24.8	−55.2	−87.6	−123.0	−159.5
Start of year balance, as percent of outlays	8	3	−14	−29	−42	−55
	Disability insurance (DI)					
Total outlays	18.1	18.1	18.9	19.8	20.8	22.0
Income	18.7	26.4	32.2	37.2	41.4	46.3
Year-end balance	7.3	15.3	28.6	46.0	66.6	90.8
Start of year balance, as percent of outlays	37	40	81	145	221	302
	Combined OASI and DI					
Total outlays	171.3	183.1	197.2	212.3	228.1	244.6
Income	163.6	162.0	180.0	197.4	213.2	232.3
Year-end balance	11.6	−9.5	−26.7	−41.6	−56.4	−68.6
Start of year balance, as percent of outlays	11	6	−5	−13	−18	−23
	Hospital insurance (HI)					
Total outlays	39.2	45.1	51.8	58.4	67.5	76.8
Income	28.3	44.1	48.4	55.1	60.2	64.9
Year-end balance	9.7	8.7	5.2	2.0	−5.3	−17.2
Start of year balance, as percent of outlays	53	21	17	9	3	−7
	Combined OASI, DI, and HI					
Total outlays	210.5	228.2	249.0	270.7	295.6	321.4
Income	191.9	206.1	228.4	252.5	273.4	297.2
Year-end balance	21.5	−0.6	−21.2	−39.4	−61.6	−85.8
Start of year balance, as percent of outlays	19	9	0	−8	−13	−19

Notes: 1. The income figures for 1983, and the end-of-year asset figures for 1983 and later, reflect the transfer of funds from the DI and HI Trust Funds under the interfund borrowing authority provided by Public Law 97–123. By the end of December 1982, when this authority expired, a total of $17.5 billion had been transferred to OASI, $5.1 billion from DI and $12.4 billion from HI.

2. The estimated operations of OASI, and OASI and DI combined, in 1983 and later are theoretical since the OASI Trust Fund would be depleted in July 1983 when assets would become insufficient to pay benefits when due.

3. HI income includes an interest repayment for the interfund loan of $12.4 billion to OASI. If these payments are not made, the fund at the end of the year would be $9.0 billion, $6.6 billion, and −$1.9 billion in fiscal years 1983, 1984 and 1985 respectively.

Source: Office of the Actuary, SSA (2/7/83) and Office of the Actuary, HCFA (2/25/83).

ESTIMATED OPERATIONS OF THE OASI, DI, AND HI TRUST FUNDS BASED UPON THE PRESIDENT'S FY 1984 BUDGET ASSUMPTIONS—PRESENT LAW

[In billions of dollars]

	Calendar year—					
	1983	1984	1985	1986	1987	1988
	Old age and survivors insurance (OASI)					
Total outlays	155.4	168.0	181.7	196.3	211.0	226.5
Income	127.4	136.6	150.5	162.0	174.5	188.3
Year-end balance	−5.8	−37.3	−68.5	−102.7	−139.2	−177.4
Start of year balance, as percent of outlays	14	−3	−21	−35	−49	−61
	Disability insurance (DI)					
Total outlays	18.1	18.5	19.1	20.0	21.1	22.4
Income	24.3	27.2	34.2	38.5	42.9	47.7
Year-end balance	8.9	17.6	32.7	51.1	73.0	98.3
Start of year balance, as percent of outlays	15	48	92	163	242	326
	Combined OASI and DI					
Total outlays	173.5	186.5	200.8	216.3	232.1	248.8
Income	151.8	163.7	184.7	200.5	217.4	236.0
Year-end balance	3.0	−19.7	−35.8	−51.6	−66.3	−79.1
Start of year balance, as percent of outlays	14	2	−10	−17	−22	−27
	Hospital insurance (HI)					
Total outlays	41.4	46.7	52.8	60.6	69.8	79.3
Income	40.8	44.8	49.5	57.0	61.4	65.9
Year-end balance	7.7	5.9	2.7	−1.0	−9.0	−22.7
Start of year balance, as percent of outlays	20	16	11	4	−1	−12
	Combined OASI, DI, and HI					
Total outlays	214.9	233.2	253.6	276.9	301.9	328.1
Income	192.6	208.5	234.2	257.5	278.8	301.9
Year-end balance	10.8	−13.9	−33.3	−52.7	−75.8	−102.0
Start of year balance, as percent of outlays	15	5	−6	−12	−18	−23

Notes: 1. The income figures for 1983, and the end-of-year asset figures reflect the transfer of funds from the DI and HI Trust Funds in FY 1983 under the interfund borrowing authority provided by Public Law 97–123. By the end of December 1982, when this authority expired, a total of $17.5 billion had been transferred to OASI, $5.1 billion from DI and $12.4 billion from HI.

2. The estimated operations of OASI, and OASI and DI combined, in 1983 and later are theoretical since the OASI Trust Fund would be depleted in July 1983 when assets would become insufficient to pay benefits when due.

3. HI income includes an interest repayment for the interfund loan of $12.4 billion to OASI. If these payments are not made, the fund at the end of the year would be $6.4 billion, $3.2 billion, and −$1.4 billion in calendar years 1983, 1984, and 1985 respectively.

Source: Office of the Actuary, SSA (2/7/83), and Office of the Actuary, HCFA (2/25/83).

ESTIMATED OPERATIONS OF THE OASI, DI AND HI TRUST FUNDS BASED ON CBO ECONOMIC ASSUMPTIONS—PRESENT LAW

[In billions of dollars]

	Fiscal year—					
	1983	1984	1985	1986	1987	1988
	Old age and survivors insurance (OASI)					
Total outlays	153.1	164.6	176.6	189.2	201.9	216.2
Income[1]	146.5	138.2	150.7	162.5	172.5	184.9
Year-end balance	5.9	−20.5	−46.3	−73.1	−102.6	−133.9
Start of year balance, as percent of outlays	8.2	3.6	−11.6	−24.5	−36.2	−47.4
	Disability insurance (DI)					
Total outlays	18.5	19.0	19.1	19.3	19.9	20.6
Income[1]	19.0	26.8	32.7	37.4	41.0	45.0
Year-end balance	7.3	15.1	28.7	46.9	67.9	92.3
Start of year balance, as percent of outlays	36.6	38.5	79.1	148.9	235.1	330.4
	Combined OASI and DI					
Total outlays	171.6	183.6	195.7	208.5	221.8	236.8
Income[1]	165.5	165.0	183.4	199.9	213.4	229.9
Year-end balance	13.3	−5.4	−17.6	−26.3	−34.7	−41.6
Start of year balance, as percent of outlays	11.2	7.2	−2.7	−8.5	−11.8	−14.7
	Hospital insurance (HI)					
Total outlays	39.2	44.9	50.6	57.5	66.5	74.8
Income[1]	27.9	44.2	48.4	54.8	58.9	62.5
Year-end balance	9.5	8.8	6.5	3.8	−3.9	−16.3
Start of year balance, as percent of outlays	53.1	21.1	17.3	11.3	5.7	−5.2
	Combined OASI, DI, AND HI					
Total outlays	210.8	228.5	246.3	266.0	288.4	311.6
Income[1]	193.4	209.2	231.8	254.7	272.3	292.3
Year-end balance	22.7	3.4	−11.1	−22.5	−38.6	−57.9
Start of year balance, as percent of outlays	19.0	10.0	1.4	−4.2	−7.8	−12.4

[1] Income to the trust funds is budget authority. It includes payroll tax receipts, interest on balances and certain general fund transfers. Income in fiscal year 1983 reflects actual interfund transfers as authorized under Public Law 97–123. In order to better illustrate the operations of the trust funds under extended interfund or other types of borrowing or under tax rate reallocation, estimated interest payments owed by a trust fund when it shows a deficit are included as negative values in the income estimates of that trust fund.

Note: Minus sign denotes a deficit. Columns might not add due to rounding.

Source: Congressional Budget Office (CBO), 2/23/83.

ESTIMATED OPERATIONS OF THE OASI, DI, AND HI TRUST FUNDS BASED ON CBO ECONOMIC ASSUMPTIONS—PRESENT LAW

[In billions of dollars]

	Calendar year—					
	1983	1984	1985	1986	1987	1988
Old age and survivors insurance (OASI)						
Total Outlays	156.0	167.7	179.7	192.3	205.3	220.0
Income[1]	130.5	139.4	153.6	164.2	174.8	186.6
Year-end balance	−3.4	−31.6	−57.7	−85.8	−116.3	−149.7
Start of year balance, as percent of outlays	14.2	−2.0	−17.6	−30.0	−41.8	−52.9
Disability insurance (DI)						
Total Outlays	18.7	19.1	19.0	19.2	19.9	20.7
Income[1]	24.5	27.4	34.4	38.3	42.0	46.0
Year-end balance	8.5	16.7	32.1	51.2	73.3	98.6
Start of year balance, as percent of outlays	14.4	44.5	87.9	167.0	256.8	354.3
Combined OASI and DI						
Total Outlays	174.7	186.8	198.7	211.5	225.3	240.7
Income[1]	155.1	166.8	188.0	202.5	216.8	232.6
Year-end balance	5.1	−14.9	−25.6	−34.6	−43.0	−51.1
Start of year balance, as percent of outlays	14.2	2.7	−7.5	−12.1	−15.3	−17.9
Hospital insurance (HI)						
Total Outlays	41.1	46.2	51.0	60.0	68.5	77.0
Income[1]	41.6	44.8	49.5	56.3	59.7	63.1
Year-end balance	8.8	7.5	5.9	2.2	−6.5	−20.4
Start of year balance, as percent of outlays	20.3	19.1	14.6	9.9	3.2	−8.5
Combined OASI, DI, and HI						
Total Outlays	215.9	233.0	249.7	271.6	293.7	317.6
Income[1]	196.7	211.6	237.5	258.9	276.5	295.7
Year-end balance	14.0	−7.4	−19.6	−32.4	−49.6	−71.5
Start of year balance, as percent of outlays	15.3	6.0	−3.0	−7.2	−11.0	−15.6

[1] Income to the trust funds is budget authority. It includes payroll tax receipts, interest on balances and certain general fund transfers. Income in fiscal year 1983 reflects actual interfund transfers as authorized under Public Law 97–123. In order to better illustrate the operations of the trust funds under extended interfund or other types of borrowing or under tax rate reallocation, estimated interest payments owed by a trust fund when it shows a deficit are included as negative values in the income estimates of that trust fund.

Note: Minus sign denotes a deficit. Columns might not add due to rounding.

Source: Congressional Budget Office (CBO), 2/23/83.

Currently scheduled tax rates and estimated tax base.—The trust fund status shown in the preceding tables includes the impact of additional income which will result from social security tax increases already scheduled under present law. The tables which follow show the tax rates and taxable earnings bases which will go into effect under present law.

TAX RATES FOR THE SOCIAL SECURITY TRUST FUNDS, 1980 AND AFTER

[In percent]

Calendar years	OASI[1]	DI[2]	OASDI	HI[3]	Total (OASDHI)
EMPLOYERS AND EMPLOYEES, EACH					
1980	4.520	0.560	5.08	1.05	6.13
1981	4.700	0.650	5.35	1.30	6.65
1982–84	4.575	0.825	5.40	1.30	6.70
1985	4.750	0.950	5.70	1.35	7.05
1986–89	4.750	0.950	5.70	1.45	7.15
1990 and later	5.100	1.100	6.20	1.45	7.65
SELF-EMPLOYED PERSONS					
1980	6.2725	0.7775	7.05	1.05	8.10
1981	7.0250	0.9750	8.00	1.30	9.30
1982–84	6.8125	1.2375	8.05	1.30	9.35
1985	7.1250	1.4250	8.55	1.35	9.90
1986–89	7.1250	1.4250	8.55	1.45	10.00
1990 and later	7.6500	1.6500	9.30	1.45	10.75

[1] Old-age and survivors insurance.

[2] Disability insurance.

[3] Hospital Insurance (part A of medicare).

ANNUAL EARNINGS SUBJECT TO THE SOCIAL SECURITY TAX (TAXABLE EARNINGS BASE)

Calendar year	Administration	CBO
1980	$25,900	$25,900
1981	29,700	29,700
1982	32,400	32,400
1983	35,700	35,700
1984[1]	37,800	37,800
1985[1]	39,600	39,600
1986[1]	42,000	42,000
1987[1]	44,100	44,400
1988[1]	47,100	46,800

[1] Estimates.

Source: SSA and CBO.

Chart 5.—SOCIAL SECURITY CASH BENEFIT PROGRAMS (OASDI) SUMMARY OF PROPOSED LEGISLATION

[In billion of dollars]

	Fiscal year—					
	1983	1984	1985	1986	1987	1988
National Commission Proposals: [1]						
Budget effect:						
Receipts		+8.2	+5.5	+8.4	+9.8	+21.2
Outlays	−2.1	−4.0	−4.4	−4.7	−5.1	−5.4
Trust fund effect:						
Income	+20.5	+9.9	+15.0	+15.7	+19.4	+34.8
Outgo	−2.1	−4.1	−4.5	−4.7	−5.2	−5.5
Other budget proposals:						
Budget effect:						
Receipts		+0.5	+1.2	+1.7	+2.4	+3.0
Outlays		−0.1	−0.1	−0.1	−0.1	−0.1
Trust fund effect:						
Income		+0.5	+1.2	+1.7	+2.4	+3.0
Outgo		−0.1	−0.1	−0.1	−0.1	−0.1
Total budget effect:						
Receipts		+8.7	+6.7	+10.1	+12.2	+24.2

Outlays	−2.1	−4.1	−4.5	−4.8	−5.2	−5.5
Total trust fund effect:						
Income	+20.5	+10.4	+16.2	+17.4	+21.8	+37.8
Outgo	−2.1	−4.1	−4.5	−4.8	−5.2	−5.5

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[1] The recommendation to increase the SSI income disregard is described and accounted for in the SSI section of this print.

Source: Office of Management and Budget, Office of the Assistant Secretary for Management and Budget/HHS.

Chart 5

Social Security Cash Benefits Programs (OASDI): Proposed Legislation

The President's budget for fiscal year 1984 assumes the enactment of the recommendations of the National Commission on Social Security Reform (NCSSR), which address the financial problems confronting the social security cash benefits programs. These recommendations are estimated by the Administration (under budget assumptions) to increase OASDI trust fund assets by almost $14 billion in fiscal year 1984. The resulting reduction in the unified budget deficit from these recommendations is estimated to be $12.2 billion in the same year. Over the 5-year budget period, the President's budget assumes a reduction in the unified budget deficit of $76.6 billion from these recommendations.

In addition to the NCSSR recommendations, the President's budget contains savings to the trust funds from legislative proposals which, to date, remain unspecified. In fiscal year 1984 these additional proposals are estimated by the Administration to increase budget authority by $494 million and to decrease outlays by $62 million. Over the 5-year budget period, these additional proposals would increase budget authority by $8.8 billion and decrease outlays by $0.4 billion.

16-686 O - 83 - 3

SOCIAL SECURITY CASH BENEFIT PROGRAMS (OASDI)—UNIFIED BUDGET IMPACT OF PROPOSED LEGISLATION: NATIONAL COMMISSION PROPOSALS [1]

[In billions of dollars]

	Fiscal year—					
	1983	1984	1985	1986	1987	1988
Proposals affecting income:						
FICA tax acceleration		5.5	−1.9			9.4
SECA tax increase		0.6	1.7	1.5	1.6	2.0
Cover all non-profit employees		0.9	1.5	1.7	2.1	2.5
Prohibit termination of coverage		0.1	0.3	0.4	0.7	0.9
Taxation of benefits		1.1	4.0	4.7	5.5	6.4
Total unified budget income		8.2	5.5	8.4	9.8	21.2
Proposals affecting outlays:						
COLA delay	−2.1	−4.2	−4.7	−4.5	−5.4	−5.7
Equity provisions		0.2	0.2	0.2	0.3	0.3
Total unified budget outlays	−2.1	−4.1	−4.4	−4.7	−5.1	−5.4
Reduction in unified budget deficit	2.1	12.2	9.9	13.0	14.9	26.6

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[1] Does not include National Commission proposal to increase SSI income disregard. Also, does not include additional income due to proposal to tax employee health benefits.

Note: Totals may not add due to rounding.

Source: Office of Management and Budget and Office of the Assistant Secretary for Management and Budget/HHS.

SOCIAL SECURITY CASH BENEFIT PROGRAMS (OASDI)—TRUST FUND IMPACT OF PROPOSED LEGISLATION: NATIONAL COMMISSION PROPOSALS

[In billions of dollars]

	Fiscal Year—					
	1983	1984	1985	1986	1987	1988
Proposals affecting OASDI income:						
FICA tax acceleration		6.4	2.4			10.8
SECA tax increase		1.0	3.0	3.0	3.2	3.6
Cover new Federal employees		0.1	0.6	1.2	1.7	2.4
Cover all non-profit employees		0.9	1.4	1.6	1.9	2.3
Prohibit termination of coverage		0.1	0.2	0.4	0.5	0.8
Taxation of benefits		1.1	4.0	4.7	5.5	6.4

SOCIAL SECURITY CASH BENEFIT PROGRAMS (OASDI)—TRUST FUND IMPACT OF PROPOSED LEGISLATION NATIONAL COMMISSION PROPOSALS—Continued

[In billions of dollars]

	Fiscal Year—					
	1983	1984	1985	1986	1987	1988
Credit Trust Funds for military wage credits and unnegotiated checks	19.9	−0.4	−0.4	−0.4	−0.3	−0.2
Subtotal	19.9	9.2	11.2	10.5	12.6	26.0
Additional interst income from proposals	0.6	0.7	3.9	5.3	6.9	8.9
Total increase in OASDI income	20.5	9.9	15.0	15.7	19.4	34.8
Proposals affecting OASDI outgo:						
Six-month COLA delay	−2.1	−4.2	−4.6	−4.9	−5.4	−5.7
Eliminate windfall benefits		(1)	(1)	(1)	(1)	−0.1
Equity proposals		0.1	0.2	0.2	0.2	0.3
Total reduction in OASDi outgo	−2.1	−4.1	−4.5	−4.7	−5.2	−5.5
Total impact on trust funds	+22.6	+14.0	+19.5	+20.4	+24.6	+40.3

[1] Less than $50 million.

Note: Totals may not add due to rounding.

Source: Office of Management and Budget and Office of the Assistant Secretary for Management and Budget/HHS.

A. NATIONAL COMMISSION RECOMMENDATIONS

1. Coverage of employees of nonprofit organizations and newly hired federal employees

Approximately 91 percent of the Nation's workers are covered by social security. The major groups not now covered are Federal civilian employees (2.7 million), State and local government employees (3.9 million), and private, nonprofit organization employees (about 1 million).

Beginning January 1, 1984, this proposal would extend mandatory coverage to all nonprofit employees and to all new Federal employees.

2. Prohibit termination of coverage by State and local governments

Employees of the States and their political subdivisions are covered only through agreements between the Secretary of Health and Human Services and the States. About 74 percent of State and local employees are covered under social security.

Coverage may be terminated if the State gives 2 years' written notice of such intent. Once coverage is terminated, the group can never again be covered under social security.

Effective January 1, 1984, this proposal would no longer permit State and local governments which have elected social security coverage for their employees to terminate such coverage. Pending termination notices would be invalid.

3. Shift of cost-of-living adjustment to a calendar year basis

The proposal would delay the automatic cost-of-living adjustment (COLA) of social security benefits from June to December. The amount of the increase, payable in January, would be determined this year on the basis of the percentage by which the Consumer Price Index (for Urban Wage Earners and Clerical Workers, CPI-W) for the first quarter of the calendar year has increased over the CPI for the first quarter of the previous calendar year. Beginning in 1984, the COLA would be computed on a third quarter to third quarter comparison in order to retain the same lag period as under present law.

In addition, the amount of social security benefits that can be disregarded in determining SSI payments and eligibility would be increased from $20 to $50 monthly. (This would not be a generalized increase in the income disregard.) This provision is discussed in the SSI section of this print.

4. Elimination of "windfall" benefits for individuals receiving pensions from noncovered employment

Under the proposal, retired and disabled workers who become eligible for a pension based on non-covered employment after 1983 would have their social security benefit reduced (but not eliminated). Two reduction methods were proposed by the Commission: (1) the heavily weighted 90-percent factor in the benefit formula would be replaced by a factor of 32 percent. In no case would total benefits be less than the present law social security benefit plus 50 percent of the worker's pension based on non-covered employment. (2) Another method would apply the present benefit formula to an earnings record which combines both covered and noncovered earnings to determine a replacement rate which would apply to the average earnings based solely on covered employment.

5. Benefits for divorced or disabled widow or widower who remarries

Present Law: Widow(er)s benefits are payable at age 60 to spouses who had been married for nine months before the death of the wage earner, and do not remarry before age 60 (unless the subsequent marriage ended in death, divorce or annulment). If the widow(er) marries after age 60, he or she receives the largest benefit to which he or she is entitled as a wage earner, widow(er) or spouse. Certain other beneficiary groups lose entitlement to benefits upon remarriages. These are:

a. Disabled Widow(er)s benefits are payable from age 50 to 60 to disabled spouses who had been married to the wage earner for nine months before the time of death, and are not married.

b. Surviving Divorced Spouses benefits are payable at age 60 to spouses who: (1) were divorced from the wage earner at the time of death, (2) had been married to the wage earner for 10 years before divorce, and (3) are not married.

c. Disabled Surviving Divorced Spouses benefits are payable from age 50 to 60 to divorced spouses who: (1) were divorced from the wage earner at the time of death, (2) had been married to the wage earner for 10 years before divorce, and (3) are not married.

Proposed Change: As is the case for widows and widowers, this proposal would allow benefits to continue to be paid to certain beneficiaries upon remarriage if that marriage takes place after the age of first eligibility for benefits. No change would be made in the current dual entitlement provision of the law which allows only the highest benefit to which an individual is eligible to be drawn.

Disabled Widow(er)s benefits would be payable to those who remarry after age 50.

Surviving Divorced Spouses benefits would be payable to those who remarry after age 60.

Disabled surviving divorced spouses benefits would be payable to those who remarry after age 50.

6. Change in indexing for deferred survivor benefits

Survivor benefits are based on the amount of benefits that would have been payable to the deceased worker as determined by applying a benefit formula to the worker's earnings in covered employment. Such earnings are indexed to reflect economy-wide wage increases through the second year before the death of the worker. Beginning with the year of death, benefit levels are indexed to price changes.

Should the worker die long before retirement age, the benefit to which the widowed spouse ultimately becomes eligible in old-age (or at disability) is based on outdated wages. Thus, women who become widowed at a relatively young age, but do not become eligible for benefits for many years, are deprived of their husband's unrealized earnings as well as the economy-wide wage increases that may have occurred since the death of their husbands.

In the case of deferred survivor benefits, this proposal would continue indexing the worker's earnings to reflect economy-wide wage increases rather than price increases.

7. Benefits for divorced spouses regardless of whether former spouse has retired

A divorced spouse, eligible for benefits at age 62, may not begin to draw social security benefits until the worker begins to draw benefits. For some divorced women, this means that they must wait several years beyond their own retirement age (either because their ex-spouse delays retirement or otherwise fails to apply for benefits) before they can begin to draw benefits.

This proposal would make benefits payable at age 62 to divorced spouses (who have been divorced for a specified period of time) if the former spouse is eligible for retirement benefits, whether or not they have been claimed or suspended because of substantial employment.

8. Increase in benefit amount for disabled widows and widowers

Social security benefits for widows and widowers are first payable at age 60. Benefits are payable in full (i.e., 100 percent of the worker's primary insurance amount) at age 65, and at reduced rates at ages 60–64 (i.e., phasing up from 71.5 percent of the primary insurance amount at age 60). Benefits are also payable at reduced rates to disabled widows and widowers aged 50–59 (i.e., phasing up from 50 percent of the primary insurance amount at age 50).

This proposal would increase disabled widow(er)s benefits to 71.5 percent of the primary insurance amount, the amount to which widow(er)s are entitled at age 60.

9. Taxation of Social Security benefits for higher income persons

Under a series of rulings in 1938 and 1941 by the Internal Revenue Service, social security benefits are excluded from gross income for purposes of the income tax. Railroad retirement benefits are excluded under provisions of the Railroad Retirement Act.

Under the proposal one-half of an individual's social security benefits would be included in adjusted gross income if other adjusted gross income exceeded the base amount. The base amount would be $25,000 in the case of a joint return, and $20,000 in the case of a single taxpayer or a married taxpayer filing a separate return.

10. Acceleration of increase in FICA taxes; 1984 employee FICA tax credit

The Federal Insurance Contributions Act (FICA) imposes two taxes—old-age, survivor and disability insurance (OASDI), and hospital insurance (HI), on employees and employers. These social security taxes are paid at the same rate by both the employer and employee on wages earned in employment covered by social security, up to the maximum amount creditable for the year.

This proposal would: (1) move the 1985 OASDI tax rate of 5.7 percent for employers and employees to 1984; (2) keep the current law rate of 5.7 percent for 1985–87; (3) reschedule the 1988–89 rate to 6.06 percent, and (4) make no change in the tax rate for 1990 and thereafter. In addition, for wages received during calendar year 1984, employees would be eligible for a refundable tax credit in an amount equal to the increase in the employee rate caused by accelerating the 1985 tax rate into 1984.

11. Increase self-employment taxes; deduction for 50 percent of self-employment tax

The Self-Employment Contributions Act imposes two taxes (OASDI and HI) on self-employed individuals. The OASDI tax rate on the self-employed is approximately equal to 1.5 times the employee rate. It is scheduled to rise from 8.05 percent in 1983 to 8.55 percent in 1985, and 9.3 percent in 1990 and thereafter. Under present law, self-employed persons cannot deduct from Federal income taxes, as a business expense, any OASDI taxes paid.

This proposal would make the self-employed OASDI tax rate equal to the combined employer-employee rate, beginning in 1984. Also beginning in 1984, self-employed individuals would be allowed to deduct for income tax purposes 50 percent of self-employment OASDI taxes paid. This deduction would be allowed in computing adjusted gross income.

The HI tax rate schedule for the self-employed now in the law would not be altered.

B. OTHER NATIONAL COMMISSION RECOMMENDATIONS

Other national commission recommendations are included in the President's budget although they have no immediate budget impact. These would include:

12. Adjustment of cost-of-living increase when trust fund ratio falls below 20 percent

To help stabilize social security outgo relative to income, this proposal would trigger the indexing of benefits to the lower of the increases in wages or prices whenever trust fund reserves are critically low. When reserves accumulate again, provision would be made for (1) repayment of amounts foregone in earlier years and (2) reinstatement of full ongoing benefit levels based on full CPI increases. The triggering of this modified cost of living adjustment and the payback would be based on the OASDI trust fund ratio (the OASI and DI trust fund balances in the funds, exclusive of any outstanding loans from the HI trust fund, as a percentage of the estimated outgo from the funds in the next year). The provision would trigger when the OASDI reserve ratio fell below 20 percent; repayment would trigger when the reserve ratio reached 32 percent.

This change would not apply to the SSI program, which is financed out of Federal general revenues.

13. Increase in old-age insurance benefit amounts on account of delayed retirement

A worker who delays retirement beyond age 65 is eligible for a delayed retirement credit (DRC). The worker's benefit is increased for each month after age 65 and prior to age 70 for which benefits are not paid, either because of earnings or because the worker does not claim benefits. For workers eligible for benefits after 1978, the delayed retirement credit is equal to 3 percent per year (one-quarter of 1 percent per month). For workers eligible before 1979, the credit is equal to 1 percent per year (one-twelfth of 1 percent per month).

This proposal would gradually increase, between 1990 and 2010, the delayed retirement credit to 8 percent per year.

C. ADDITIONAL BUDGET PROPOSALS AFFECTING TRUST FUNDS

The Administration budget also proposes taxing employee health benefits, which will increase OASDI income by $464 million in fiscal year 1984, and $896 million in fiscal year 1985.

14. Allocations to disability insurance trust fund

In order to achieve approximately the same trust fund ratios (the balance in a trust fund at the beginning of a year as a percentage of the projected outgo for that year) in both the OASDI and HI trust funds, this proposal would reallocate the OASDI tax rates.

15. Interfund borrowing extension

The proposal would reinstate through 1987 the authority to borrow between the OASI and DI trust funds and from the HI trust fund whenever it was determined by the Managing Trustee (the Secretary of the Treasury) that additional funds are needed to pay benefits.

16. Crediting amounts of unnegotiated checks to the trust funds

When payments are made to social security beneficiaries, a voucher is submitted by the Social Security Administration to the Treasury Department for the amount of benefits. This amount is then withdrawn from the social security trust funds and the payments are sent to the beneficiaries. For any number of reasons, some benefit checks are not cashed. Under present procedure, the money has technically been spent by the social security trust funds. The General Fund of the Treasury holds these funds until the check is cashed.

The proposal would reimburse from the General Fund of the Treasury to the OASDI trust funds a lump sum payment equal to the amount of uncashed OASDI checks which were issued prior to the enactment of this provision, which remain unnegotiated twelve months after their date of issuance.

17. Military wage credits

Since 1946, the OASDI system has provided noncontributory wage credits to persons who served in the military forces. Such military personnel have been credited with earnings on which no payroll taxes have been paid. The trust funds are reimbursed annually from the general funds for the added cost of benefits resulting from this procedure.

Rather than continuing the current law method of annual reimbursement to the trust funds for these credits, the proposal would credit the OASDI trust funds in a lump sum, with an amount equal to (1) the estimated additional cost of providing future benefits based on pre-1957 military wage credits and (2) the taxes that would have been collected and the interest that would have been earned if the credits for service after 1956 and before 1983 had been taxed as they were earned. In the future, an annual appropriation to the trust funds would be made for the employee-employer taxes on non-contributory wage credits.

Chart 6.—UNEMPLOYMENT COMPENSATION

[In billions of dollars]

	Fiscal year—	
	1983	1984
Present law:		
Payroll tax elements:		
Federal/State tax and interest income	19.3	23.4
Federal taxes (net of credit reductions)	3.8	4.3
State taxes	14.9	18.7
Interest	0.6	0.4
Administrative costs	2.7	2.7
Tax-financed benefits	29.6	26.2
Deficit	−12.4	−5.3
General fund elements:		
Advances to the trust fund	[1] 9.1	[2] 6.4
Federal employee benefits	0.4	0.4
Trade adjustment assistance	0.1	....
Federal supplemental compensation	2.5	....
Other	([3])	([3])
Proposed legislation:		
Extend Federal supplemental compensation	[4] +1.9	....

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[1] Excludes $2.5 billion in nonrepayable advances for Federal supplemental compensation.

[2] Excludes $0.5 billion in nonrepayable advances to the Employment Security Administration Account.

[3] Less than $50 million.

[4] The Administration has proposed an extension of the FSC program beyond that (September 30, 1983) contained in the fiscal year 1984 Budget. The new proposal would extend FSC to December 31, 1983 at an additional cost of $1.1 billion

Chart 6

Unemployment Compensation

The unemployment compensation system was enacted as a part of the Social Security Act of 1935 to provide partial wage replacement to covered workers during periods of temporary and involuntary unemployment. The program is a joint Federal-State system composed of programs administered by the 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands.

The major provisions of the unemployment compensation program are determined by State laws. In general, State laws establish eligibility requirements, the number of weeks an individual may collect unemployment compensation, the amount of the weekly benefit, the circumstances under which benefits may be denied, the length of denial, and the State unemployment tax structure.

The unemployment compensation system is financed by State and Federal payroll taxes on employers. Under the Federal Unemployment Tax Act (FUTA), a payroll tax of 3.5 percent on the first $7,000 of wages is levied on employers. If the State's unemployment compensation program meets the requirements of Federal law, employers in that State receive a 2.7 percent credit against the 3.5 percent Federal unemployment tax. Thus, the Federal tax rate in a State which has an approved program is 0.8 percent. The tax may be higher in States having outstanding unemployment insurance loans from the Federal Government.

The Federal tax is used to pay both State and Federal administrative costs associated with the unemployment compensation and State employment service programs, to pay most of the cost of operating State employment service programs, to fund 50 percent of the extended benefits paid to employed workers under the Federal-State Extended Compensation Act of 1970, and to maintain a loan fund from which an individual State may borrow when it lacks funds to pay State unemployment compensation benefits.

States also levy unemployment compensation taxes on covered, private employers in the State. State taxes finance regular State benefits and one-half the cost of extended benefits. State unemployment funds are deposited with the Federal Government in the unemployment trust fund, which is a part of the unified Federal budget. States then pay benefits from this fund.

Most unemployment benefits are paid through the Federal Unemployment Trust Fund which consists of a number of accounts and which draws its funding partly through State payroll taxes, partly through the Federal Unemployment Tax, and partly from general revenues.

Regular State unemployment benefits are paid by the States from individual State accounts in the trust fund. These State accounts are primarily funded by State payroll taxes on employers. However, if a State account is unable to meet its obligations, the State account may be supplemented by loans from a Federal loan account in the trust fund.

In most States, regular State unemployment benefits are payable for a maximum of 26 weeks. In times of high unemployment, the Federal-State extended benefit program goes into effect providing up to 13 additional weeks of benefits.

The extended benefits program triggers on in a State when the insured unemployment rate (IUR) in that State reaches at least 5 percent and is at least 20 percent higher than the rate prevailing on average during the comparable period in the previous 2 years. However, a State may elect an optional trigger which permits the payment of extended benefits when the State IUR is at least 6 percent, even if that rate is not 20 percent higher than the rate prevailing in the 2 prior years.

Half the cost of the extended benefit program is met from State payroll taxes and half the cost is met from a trust fund account which is primarily funded through a portion of the 0.8 percent Federal unemployment tax on employers.

Federal general revenue funds are advanced as needed to cover shortages in the account which pays the Federal share of extended benefits and in the account from which States borrow to meet shortages in State accounts. In addition, general revenues are used to meet the cost of certain benefits provided under Federal law. These include unemployment benefits for Federal employees and ex-servicemen, trade adjustment assistance benefits, and benefits under special programs related to disaster relief and the Redwoods Park. Except for Federal civilian employees and ex-service members (beginning in fiscal year 84), these separately funded general revenue programs are not included in the trust fund totals.

A special program also exists for workers in the railroad industry. This is funded by employer contributions which are paid into a separate trust fund account administered by the Railroad Retirement Board.

The Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97-248) established the Federal Supplemental Compensation (FSC) program, which provides additional weeks of unemployment compensation to individuals who have exhausted their regular State benefits and any extended benefits to which they were entitled. The program is financed by general revenues. Weekly benefit amounts are identical to regular State program benefits for each claimant.

As originally enacted, the FSC program provided 10, 8, or 6 additional weeks of benefits. The Surface Transportation Assistance Act of 1982 (Public Law 97-424) increased the maximum number of weeks of FSC benefits to 16, 14, 12, 10, or 8, depending on the State where the individual qualified for the benefits between September 12, 1982 and March 31, 1983.

Beginning with the week of January 9, 1983, the FSC program provides the following maximum weeks of benefits:

(1) 16 weeks in States with an insured unemployment rate (IRU) exceeding 6.0 percent;

(2) 14 weeks in States that were triggered on the extended benefits program between June 1, 1982 and January 6, 1983;

(3) 12 weeks in States with an IUR of at least 4.5 percent that have not been triggered on the extended benefits program between June 1, 1982 and January 6, 1983;

(4) 10 weeks in States with an IUR of at least 3.5 percent, but less than 4.5 percent and that have not been triggered on the extended benefits program between June 1, 1982 and January 6, 1983;

(5) 8 weeks for all other States.

In order to be eligible for these benefits, an individual must have exhausted his regular State benefits and any extended benefits to which he was entitled and (1) his benefit year must end on or after June 1, 1982 or (2) he must have been eligible for extended benefits for any week beginning on or after June 1, 1982.

When an individual is determined to be eligible for State unemployment compensation benefits, he generally has 52 weeks, known as the benefit year, in which to collect the benefits to which he is entitled. In most States, the benefit year begins with the first week for which a valid claim for benefits was filed. Therefore, in most States, if an individual first filed a valid claim for unemployment compensation benefits for a week beginning on or after June 1, 1981, he should be eligible for FSC benefits. If an individual's benefit year ends before June 1, 1982, but he was eligible to receive extended benefits for any week beginning on or after June 1, 1982, he will be eligible for FSC benefits.

If an individual is eligible for FSC benefits, the number of weeks of such benefits is determined in relation to the number of regular State benefits to which he was entitled. An eligible individual will receive the lesser of 65 percent of the number of weeks of regular State benefits to which he was entitled or the maximum number of weeks of FSC benefits provided in the State where he qualified for the benefits.

Proposed Legislation.—The Administration has proposed three major policy changes: (1) an extension and modification of Federal Supplemental Compensation (FSC) through September 30, 1983; (2) establishment of vouchers for job subsidies that FSC claimants could offer to potential employers and (3) permission for the States to use 2 percent of their current year unemployment tax revenue to fund retraining or relocation of UC claimants.

The cash component of FSC would be changed in several ways. First, the number of weeks available in the States would be:

(1) 16 weeks in States with insured unemployment rates (IUR) of at least 6.0 percent;

(2) 12 weeks in States with IURs of at least 4.5 percent but less than 6.0 percent; and

(3) 8 weeks in all other States.

Second, the number of weeks of employment a claimant must have in his base year to qualify for benefits would increase from 20 to 30 weeks. Third, persons who have voluntarily quit their jobs or have been fired for good cause would be disqualified from receiving FSC.

The job vouchers would provide a subsidy to a prospective employer equal to one-half of the claimant's weekly benefit amount for twice the claimant's remaining weekly FSC benefits. For example, if a claimant had 10 weeks of benefits remaining at $120 per week, the employer could ultimately receive a total subsidy of $1,200 for 20 weeks of employment. The subsidy would be a credit against the employer's State or Federal unemployment taxes. If an employer's total subsidy exceeded his unemployment taxes, he could credit the excess against his corporate income tax.

The Administration also indicated that it would promote unemployment compensation for partially unemployed persons and would exclude youth from Federal unemployment tax coverage who work under its proposed sub-minimum wage of $2.50 per hour from May 1 to September 1 of each year. Details of these proposals were not available as of February 25, 1983.

Finally, the Administration projected that $9.1 billion and $6.4 billion in advances from the General Fund to the Unemployment Trust Fund will be required in fiscal years 1983 and 1984, respectively, to finance additional State borrowing. This would increase the Trust Fund debt to the General Fund from $15.3 billion at the end of fiscal year 1982 to $30.2 billion by the end of fiscal year 1984. About $23.2 billion of this fiscal year 1984 debt will be owed by insolvent State UC programs and about $7 billion will be owed by the extended benefits program account for past advances to finance underfunded outlays incurred in response to the 1974–1975 recession.

Chart 7.—WELFARE PROGRAMS FOR FAMILIES

[In billions of dollars]

	Fiscal year—	
	1983	1984
Present law:		
Aid to families with dependent children:		
Welfare payments	6.847	6.837
Administration	.925	.979
Work incentive program (WIN)	.271	([1])
Child support:		
Total collections	.877	.923
Federal share	.344	.369
Administrative costs	.456	.436
Net collections:		
Federal share	—.113	—.067
Title IV–B (child welfare)	.167	([1])
Title IV–E (foster care, adoption assistance)	.400	[2].445
Proposed legislation:		
AFDC		—.666
Child support enforcement		[3] —.066

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[1] Funding level determined by appropriation. The administration proposes no funds be appropriated for WIN in fiscal year 1984, and that the separate authority for child welfare training grants be repealed.

[2] Legislation is proposed to make this a closed-end entitlement.

[3] Includes $10 million in child support financing reductions, and $56 million in AFDC savings resulting from child support changes.

Chart 7

Welfare Programs for Families

A. AID TO FAMILIES WITH DEPENDENT CHILDREN

The program of Aid to Families with Dependent Children (AFDC) provides Federal matching for State programs of cash assistance to needy families with children in which at least one parent is deceased, disabled, or absent from the home. States, at their option, may also provide benefits for families in which dependency arises from the parent's unemployment. Twenty-one States plus Guam and the District of Columbia have elected to provide benefits to families with unemployed parents. The amount of Federal matching for AFDC benefits varies from State to State under formulas providing higher percentages in States with lower per capita incomes. The national average contribution by the Federal Government is 54 percent. States establish their own income eligibility and benefit levels.

Under present law, the average number of families and recipients receiving monthly payments as estimated by the Administration to be:

[In millions of dollars]

	Fiscal year—		
	1982	1983	1984
Families	3.6	3.8	3.8
Individuals	10.4	11.0	10.9

Administration estimates for Federal program costs are as follows:

[In millions of dollars]

	Fiscal year—			
	1982	1983	1984	Change
AFDC benefits	6,575	6,781	6,768	−13
Emergency assistance	51	51	53	+2
Other assistance payments	15	15	16	+1
State and local administration and training	863	884	943	+59
Federal administration and related costs	27	41	36	....
Subtotal, current law	7,531	7,772	7,816	49
Proposed legislation			666	−722
Total, outlays	7,531	7,772	7,150	−673

A number of legislative changes aimed at reducing AFDC expenditures were included in the Omnibus Budget Reconciliation Act of 1981. These amendments defined and limited amounts of earnings that can be "disregarded" in determining benefits. They authorized States to develop a variety of new employment programs for recipients, including community work experience programs, work supplementation programs and Work Incentive demonstration programs. They tightened the eligibility and benefit determination process by requiring States to use retrospective accounting and monthly reporting procedures. In addition, the amendments further limited eligibility and benefit payments by: requiring that a stepparent's income be counted in determining the family's benefit; providing eligibility for a pregnant woman with no other children only beginning with the 6th month of pregnancy; requiring that lump-sum payments be treated as income in the month of receipt and future months; establishing maximum asset limits; requiring that the amount of earned income tax credit (EITC) which an individual is eligible to receive on an advance basis be assumed in determining the amount of the benefit, whether or not the EITC is actually received; and requiring States to recover overpayments and pay underpayments. At the time of the passage of the Reconciliation Act, the Congressional Budget Office estimated that the legislative changes in the AFDC program would produce AFDC savings in fiscal year 1982 of $1,026 million. CBO later reduced the amount of estimated savings to $573 million.

Additional changes in the AFDC program were made by the Tax Equity and Fiscal Responsibility Act of 1982. The 1982 legislation authorized State welfare agencies to require both applicants and recipients to participate in job search programs; permitted proration of benefit amounts for shelter and utilities when AFDC families share a household with others; prohibited payments where absence is due solely to active duty in a uniformed service; permitted the disregard of certain statutorily-mandated payments made by a State welfare agency; permitted the disregard of supplementary payments made by a State to compensate for a lag in benefit adjustment due to retrospective accounting; required States to make benefits payable no earlier than the date of application; required the rounding of need and benefit amounts to the next lower whole dollar; and reduced the payment error rate which States may have before being subject to a reduction in Federal matching from 4 percent to 3 percent, beginning in fiscal year 1984. CBO estimated AFDC savings from these changes at $85 million for fiscal year 1983.

B. WORK INCENTIVE PROGRAM

The Work Incentive (WIN) program is charged with administering the work registration requirement for AFDC recipients, and providing employment and training services for those who are required to register or who volunteer for WIN services. The program also provides support services, including child care, for those who need them in order to work or take training. The program is administered jointly at the Federal level by the Department of

Health and Human Services and the Department of Labor, and at the State level by the welfare (or social service) agency and the employment service.

The Omnibus Budget Reconciliation Act of 1981 included a provision authorizing States to operate a 3-year demonstration program as an alternative to the current WIN program. The demonstration is aimed at testing single-agency administration, and the demonstration must be operated under the direction of the welfare agency. The legislation includes broad waiver authority to allow States to experiment with alternative methods of providing employment and training services. (The period for applying for HHS approval of demonstration programs was extended to June 30, 1984 by the Tax Equity and Fiscal Responsibility Act of 1982.)

Funding for WIN was $365 million in fiscal year 1981, $281 million in fiscal year 1982, and $271 million in fiscal year 1983.

C. CHILD SUPPORT ENFORCEMENT

The purpose of the Child Support Enforcement (CSE) program is to enforce support obligations owed by absent parents to their children, locate absent parents, establish paternity, and obtain child support. The program is closely tied to the AFDC program. As a condition of eligibility for AFDC, each applicant or recipient must assign the State any rights to support which he may have in his own behalf or in behalf of children in the family, and must cooperate with the State in establishing paternity and in obtaining support payments. States are also required to provide child support services to families who are not eligible for AFDC. The Federal Government currently pays 70 percent of administrative costs.

Collections for AFDC families and total costs under the program are as follows:

[In millions of dollars]

	Fiscal year—	
	1982	1983
Collections (AFDC families):		
Total (Federal and State)	793	877
Federal share	308	344
Administrative costs:		
Total (Federal and State)	605	640
Federal share	459	456
Net collections (collections minus costs):		
Total (Federal and State)	188	237
Federal share	−151	−113

The program made collections on behalf of an estimated 514,000 AFDC families and 404,000 non-AFDC families in 1981. Total child support collections in fiscal year 1982 were about $1.5 billion, about half of which was collected on behalf of families receiving AFDC and half on behalf of non-AFDC families.

The Omnibus Budget Reconciliation Act of 1981 included several provisions aimed at making the program more effective and reducing administrative costs. The amendments: authorized the collection of past-due child and spousal support from Federal tax refunds in the case of families receiving AFDC; expanded the authority in prior law to enforce obligations for support of a child to include, in addition, authority to enforce obligations for support of the parent with whom the child is living; required States to retain a fee equal to 10 percent of the support owed on behalf of a non-AFDC family, to be charged against the absent parent and added to the amount of the collection; provided that a support obligation assigned to the State as a condition of AFDC eligibility may not be discharged in bankruptcy; and required States to have a program to collect child support obligations which are being enforced under a State child support enforcement program by reducing the unemployment benefits of an absent parent. The CBO estimated savings of $86 million in fiscal year 1982 from these changes.

Changes made by the Tax Equity and Fiscal Responsibility Act of 1982 included a reduction in Federal matching for the child support enforcement program. Federal matching for State administrative costs was reduced from 75 percent to 70 percent, effective October 1, 1982; child support incentive payments were reduced from 15 to 12 percent, effective October 1, 1983; and Federal matching for the costs of court personnel were repealed, effective October 1, 1983. The 1982 Act also restored the law in effect prior to the 1981 Reconciliation Act which allows States to charge a reasonable fee for a non-AFDC collection and retain from the amount collected an amount equal to administrative costs not covered by the fee. The amendment retains, as a State option, the authority to collect from the parent who owes child or spousal support an amount to cover administrative costs, in addition to the child support payments. The 1982 Act also included a provision relating to the treatment of child support collections made after the first month of AFDC ineligibility. CBO estimated savings from these changes at $92 million in fiscal year 1983 and $141 million in fiscal year 1984.

Child Welfare, Foster Care and Adoption Assistance

D. CHILD WELFARE SERVICES

Under title IV–B of the Social Security Act, grants to the States are authorized for the purpose of providing child welfare services. Allocations to the States reflect State per capita income and the size of the population under age 21. Public Law 96–272, the Adoption Assistance and Child Welfare Act of 1980, restructured the child welfare services program to place greater emphasis on services designed to prevent or remedy the need for long-term foster care. The child welfare services program received $164 million in appropriations in fiscal year 1981, with an additional $5 million provided for child welfare training. The 1982 and 1983 continuing resolutions provided a spending level of $156 million for child welfare services, and $4 million for child welfare training in each of those years.

E. FOSTER CARE AND ADOPTION ASSISTANCE

The Adoption Assistance and Child Welfare Services Act of 1980 (P.L. 96-272) involved a major restructuring of Social Security Act programs for the care of children who must be removed from their own homes. In particular, prior law was modified to lessen the emphasis on foster care placement and to encourage efforts to find permanent homes for children either by making it possible for them to return to their own families or by placing them in adoptive homes. The foster care and adoption assistance program is embodied in title IV-E of the Social Security Act.

Before fiscal year 1981, open-ended Federal matching was provided for foster care payments under the AFDC program for children who met certain specified conditions. Public Law 96-272 set a ceiling on Federal foster care matching funds for 4 years beginning with fiscal year 1981. The ceiling is contingent upon the appropriation of specified additional amounts for the child welfare services program.

Title IV-E authorizes an adoption assistance program under which a State is responsible for determining which children in foster care are eligible for adoption assistance because of special needs which have discouraged their adoption. In the case of any child meeting the special requirements set forth in the law, the State may offer adoption assistance to parents who adopt the child. The amount of assistance is agreed upon between the parents and the agency.

Federal matching for the foster care and adoption assistance programs is at the medicaid matching rate. Budget authority for foster care was $300 million in fiscal year 1982, increased to $395 million in fiscal year 1983. Budget authority for adoption assistance was $5 million in each of those fiscal years.

PROPOSED LEGISLATION

A. Aid to Families with Dependent Children

The President's budget includes a number of proposals to reduce the cost of the AFDC program. As shown in the table below, the Administration estimates that savings would total $666 million in fiscal year 1984, and $899 million in fiscal year 1985.

AFDC PROPOSALS

[In millions of dollars]

	Fiscal year—	
	1984	1985
Require inclusion of parents and siblings in filing unit (except SSI recipients)	−131	−133
Require States to adjust shelter and utility costs [1]	−229	−233
End benefits to employable parents when youngest child turns 16 [1]	−22	−22
Require all employable recipients to participate in work	−275	−501
Prohibit payment when parent is absent due to employment related activities	−5	−5
Sanction an individual who chooses not to work	−1	−1
Permit States to require parents of children aged 3 through 5 to register for work if child care is available	−3	−4
Total AFDC effect:		
Total AFDC savings [1]	−666	−899
Medicaid offset (To proposals 1–4)	−93	−184
Subtotal	−759	−1,083

[1] Includes reduction for interaction of proposals.

Require inclusion of parents and siblings in filing units.—There is no requirement in present law that parents and all siblings be included in the AFDC filing unit. Families applying for assistance may exclude from the filing unit certain family members who have income which might reduce the family's benefit. For example, a family might choose to exclude a child who is receiving social security or child support payments, if the payments would reduce the family's benefits by an amount greater than the amount payable on behalf of the child. In addition, a mother who is a minor is excluded if she is supported by her parents. However, if she has no income of her own which may be attributed to her child, the child may qualify for assistance as a one-person unit, and receive proportionately more in assistance than it would receive as part of a two-person unit.

The Administration's proposal would require States to include in the assistance unit the parents and all minor siblings (except SSI recipients) living with a child who applies for or receives AFDC. A similar proposal was agreed to by the Committee last year, but was dropped in conference with the House.

Require States to adjust shelter and utility costs.—An amendment in the Tax Equity and Fiscal Responsibility Act of 1982 gave States the option of prorating or otherwise adjusting the portion of the AFDC benefit which is paid for shelter and utilities to take into account economies of scale which may result when the AFDC family shares a household with other individuals. States were given flexibility in determining the method of adjustment they wished to use.

The Administration proposes to *require* States to adjust the portion of the grant paid for shelter and utilities when the family shares a household. The adjustment would apply to both the need and payment standards, using a formula which takes into account the number of persons in the assistance unit and the number of persons in the entire household. (No adjustment would be made with respect to SSI recipients who are living with the AFDC family and whose benefits are reduced by one-third because of the special rule for counting in-kind support and maintenance.)

End benefits to employable parents when youngest child is 16.—Current law continues the eligibility of a parent/caretaker so long as the youngest child is eligible for benefits, i.e., until the child reaches 18, or, at the option of the State, age 19 if the child is in school and is expected to complete his course of study before his 19th birthday. Under the Administration's proposal, when the youngest child reaches 16, an employable caretaker relative would no longer be considered part of the assistance unit. The determination of whether the caretaker relative is employable is to be made according to the rules requiring registration for the State's work-related programs for AFDC recipients. If the excluded caretaker relative is the parent of the child, his income must be considered as available to the child after application of certain disregards. This proposal was agreed to by the Committee last year, but was deleted in conference with the House.

Require all employable adults to participate in CWEP and job search.—In the 1981 Reconciliation Act, States were given the authority to establish community work experience (CWEP) programs, under which AFDC recipients could be required to work in projects "which serve a useful purpose" in exchange for their AFDC benefits. According to the Administration, 23 States currently operate or will soon begin to operate CWEP programs. In addition, that same legislation authorized States to conduct work supplementation programs, under which States may reduce welfare grants and use resulting savings to assist in funding public or nonprofit employment for recipients who voluntarily choose to participate in the work supplementation program. A third employment program option provided to the States was authority to operate demonstration programs under the Work Incentive program. Another work-related provision was enacted in the Tax Equity and Fiscal Responsibility Act of 1982, which authorized States to require applicants and recipients to participate in job search programs operated by the welfare agency.

The Administration's proposal would require all States to operate programs under which all employable adult recipients would not only have to register for a work program but would be required to participate in job search and/or CWEP. Applicants would be required to look for jobs while their eligibility is being determined. For all but two-parent families, States could request waivers to substitute grant diversion (programs in which grants are used to subsidize jobs), or work supplementation for CWEP.

Last year the Administration proposed that both CWEP and job search programs be made mandatory on the States. However, the

Committee agreed that these programs should be optional with the States.

Prohibit AFDC payments when absence of parent is due to an employment-related activity.—Under current law, if a parent leaves the home in order to maintain employment elsewhere, the remaining members of that parent's family may be eligible for AFDC assistance on the basis that the parent is "absent from the home."

The proposed change would prohibit AFDC payments in any case in which the sole reason for a parent's absence is employment-related activity. This provision is similar to a change made in the Tax Equity and Fiscal Responsibility Act of 1982 which prohibits assistance to families when the sole reason for such assistance is the absence of a parent due to performance of duty in one of the uniformed services.

Remove parent/caretaker from the assistance unit for voluntarily quitting work: reducing earnings, refusing employment, or refusing a CWEP assignment.—Current regulations provide sanctions for AFDC recipients who are required to register for employment and training if they voluntarily quit work, reduce earnings, refuse employment, or refuse a CWEP assignment. This penalty does not apply to those who are not required to register because they are employed 30 hours or more a week, or live in an area so remote from a WIN program that their participation is precluded.

The Administration proposes to extend the sanctions to these nonregistrants. The Committee approved this provision last year, but it was not agreed to by the House conferees.

Permit States to require parents of children age 3 through 5 to register for work if child care is available.—Under current law the parent or other caretaker relative of a child is required to register for work if the youngest child is age 6 or older. In addition, States have the option of requiring AFDC mothers whose youngest child is between 3 and 6 to participate in the community work experience program if child care is available.

The Administration proposal would permit States to require the parent or caretaker relative to register for other work activities in addition to CWEP, if the youngest child is between 3 and 6 years old and if child care is available. This proposal was submitted by the Administration last year, but was not adopted by the Committee.

Other changes for which the Administration has not estimated costs or savings.—The Administration is planning to submit a number of additional amendments for which it has not estimated any budget effect. These include: permitting Federal agencies to be sponsoring agencies for CWEP participants; limiting the definition of who may qualify as an "essential person" in determining the family's AFDC grant to relatives who live with the AFDC child and provide care where the relative is unable to do so, or in order to enable the relative to work full time; requiring counting of nonrecurring lump-sum income received by an individual who is not a member of the unit but whose income is counted; requiring attribution of the assets of a sponsoring agency or organization to an alien; requiring minor parents to reside with their parents; counting as income amounts withheld as a penalty from other benefits which otherwise would have been counted as income; requiring exclusion of the needs of caretakers who are capable financially of repaying an overpayment but refuse to cooperate in doing so (up to statutory limits); and permitting disclosure of AFDC information to law enforcement officials to be used in connection with any criminal proceeding or prosecution.

B. Work Incentive (WIN) Program

The appropriation for the WIN program was $365 million in fiscal year 1981, $281 million in fiscal year 1982, and $271 million in fiscal year 1983. The Administration requested that no funds be appropriated for WIN in fiscal year 1983, and is repeating the zero appropriation request for fiscal year 1984.

The Administration suggests that the services authorized under the WIN program may be provided by other programs, including the other AFDC work-related programs, the social services block grant, and the Job Training Partnership Act. Phase-out activities in 1984 would be paid for by using the unexpended 1983 carryover funds.

C. Child Support Enforcement

Restructure Federal matching provisions.—The Federal government pays 70 percent of State and local administrative costs for child support services to both AFDC and non-AFDC families. (The matching rate was reduced from 75 percent beginning in fiscal year 1983 by the Tax Equity and Fiscal Responsibility Act of 1982.) Where the absent parent's family is receiving AFDC, any child support that is collected is used to offset AFDC benefit costs. An additional 15 percent incentive payment financed solely out of the Federal share of collections is also made to States and localities which make collections on behalf of an AFDC family. (The incentive payment is reduced to 12 percent in 1984 by that same Act.)

Under the proposed change, funding for the program would be provided by AFDC child support collections. States would apply their administrative expenses for services to AFDC families against child support collections on behalf of AFDC recipients. The residual net collections, whether positive or negative, would then be divided between the State and Federal governments according to the State AFDC matching rate. Bonus payments would be allotted according to standards determined by the Secretary in the following three areas: (1) child support collections for AFDC families; (2) program cost effectiveness; and (3) cost avoidance program savings. The standards for measuring performance in these three categories would be reviewed at least once every two years.

Funding for automated data processing systems would be authorized through project grants, rather than by the 90 percent Federal matching formula in present law.

The new financing mechanism would be phased in over three years. During that time, States would have the option of receiving funding under the new proposal, or of receiving a level of funding equivalent to 75 percent of what they could have received under the prior law. Savings under this proposal are estimated by the Administration to be $10 million in fiscal year 1984, and $51 million in fiscal year 1985.

This financial restructuring proposal without a phase-in was submitted to Congress in 1982, but was not agreed to by the Committee.

Require States to enact laws requiring the use of certain child support enforcement practices.—Many States have adopted certain procedures which have frequently been found to be cost-effective in operating the child support enforcement program. These include use of mandatory wage assignments, administrative hearing processes to replace court processes, and State income tax offsets for overdue support payments. These procedures are not currently included as part of the child support State plan requirements.

The Administration is recommending that States be mandated to enact laws under which they would be required to use these specified child support procedures. States would also have to have as part of their State plans a requirement that medical support will be sought for AFDC children when it is available at a reasonable cost through employer-subsidized health insurance. The Administration estimates that these changes would result in reduced AFDC costs of $56 million in each of fiscal years 1984 and 1985.

D. Child Welfare Services

The Administration's budget request includes $156 million for child welfare services and child welfare training combined. The Administration is proposing legislation to repeal the separate authority for training grants, and to make training an activity for which child welfare services program money may be used. Funding for fiscal year 1983 included $156 million for child welfare services, and an additional $4 million for training. Funding for child welfare research was $7 million in fiscal year 1983. No funds are requested for child welfare research in fiscal year 1984. Instead, funding for such activities will be provided under a general human resources research and demonstration program.

E. Foster Care and Adoption Assistance

Under current law, States are entitled to Federal matching for foster care payments made on behalf of all eligible children, unless a "cap" is triggered by a specified level of appropriations for the child welfare services program. The rationale for the present law cap (which is in effect through fiscal year 1984) is that when a relatively high level of funding is available for services over a period of time, States will be able to provide services which enable children to stay in their own homes or be placed in an alternative permanent setting, rather than be placed in temporary foster care homes or institutions. This mandatory cap has not been in effect recently because the appropriations have not reached the specified level.

The Administration is proposing legislation to make the foster care program a closed-end entitlement, with a permanent funding level of $440 million, which is the amount estimated to be spent by the States under current law. Funds would be allocated to the States in the same proportion as Federal payments were made to the States before December 31, 1983 for foster care maintenance payments under parts A and E for fiscal year 1982. The Administration proposes funding of adoption assistance of $5 million in fiscal year 1984, the same amount as provided in fiscal year 1983.

Chart 8.—SOCIAL SERVICES

[In billions of dollars]

	Fiscal year—	
	1983	1984
Present law:		
Title XX block grant	2.450	2.500
Proposed legislation:		
None.		

Chart 8

Social Services

In addition to cash benefit programs and medical assistance, the Social Security Act includes provisions in title XX which make Federal funding available for social services. In previous years, title XX legislation authorized matching funds for State social services programs on an entitlement basis. The Federal matching rate was generally 75 percent. In the Omnibus Budget Reconciliation Act of 1981, a new social services block grant program was created to replace the prior Federal-State matching program. A number of requirements on the States have been removed, and funding levels have been reduced. The program remains an appropriated entitlement, with each State eligible to receive its share of a national total of $2.4 billion in fiscal year 1982, $2.45 billion in fiscal year 1983, and $2.5 billion in fiscal year 1984.

As under the previous statute, allocations are made on the basis of State population. States may determine how their funds are to be used and who may be served. There are no family income requirements, and no fee requirements.

Proposed Legislation

The fiscal year 1984 budget request for the social services block grant program is equal to the authorization level of $2.5 billion, an increase of $50 million over fiscal year 1983. No change is proposed in the authorizing legislation. However, no funding is being requested for the community services block grant, which was funded at $343 million in fiscal year 1983. The Administration proposes that States use other sources of funding, particularly the social services block grant, to fund community services activities. (The community services block grant is under the jurisdiction of the Committee on Labor and Human Resources.)

Chart 9.—SUPPLEMENTAL SECURITY INCOME

[In billions of dollars]

	Fiscal year—	
	1983	1984
Present law:		
Total expenditures	8.8	*7.5
Proposed legislation:		
National Commission proposal to increase income disregard	+.2	+.5
Other proposals	−.1	−.2

*1983 reflects 13 months of benefit payments; 1984 reflects 11 months of benefit payments.

Chart 9

Supplemental Security Income

Since January 1974, the Social Security Administration has been responsible for administering a basic income support program for needy aged, blind, and disabled persons called Supplemental Security Income (SSI). This program is funded entirely from general funds. The law establishing the SSI program permits the temporary use of the social security trust funds to meet the administrative costs of the program but provides specific safeguards to assure that those costs are promptly reimbursed to the trust funds by an appropriation from general revenues.

Under present law, the average number of recipients receiving federally administered SSI payments is estimated by the Administration to be as follows:

[In thousands]

	Fiscal year—	
	1983	1984
Aged	1,295	1,205
Blind and disabled	2,155	2,150
Total, Federal	3,450	3,355
State supplementary payments only	420	425
Total, SSI	3,870	3,780

The maximum Federal monthly payment is $284.30 for an individual, and $426.40 for a couple. Beginning in July 1983, the maximum Federal monthly payment is expected to rise to $298.00 for an individual and $448.00 for a couple. These increases are due to annual adjustments made in July to reflect increases in the cost of living. The Administration projects an adjustment of 5.1 percent in July 1983.

The SSI program was modified by two major pieces of legislation in the last two years, the Omnibus Reconciliation Act of 1981 (OBRA) and the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). OBRA provided for: changing the method of accounting from a quarterly prospective basis to a monthly retrospective basis; allowing the three States (California, Massachusetts and Wisconsin) that had previously been providing cash in lieu of food stamps to SSI recipients to continue to do so as long as they continue to meet certain specified conditions; notifying the Secretary of Health and Human Services by the Secretary of the Treasury of all benefit checks which have not been cashed within 180 days after the date of issuance, and required the Secretary of HHS to return amounts which represent State supplementary payments to the State; and limiting payment to State vocational rehabilitation agencies by authorizing reimbursement only for services provided to SSI recipients who subsequently perform substantial gainful activity lasting for a continuous period of 9 months.

The Tax Equity and Fiscal Responsibility Act made the following additional minor changes in SSI: it required that any payment for the first month of eligibility must be prorated based on the date of application or the date of eligibility, whichever is later; required rounding of SSI monthly benefit and income eligibility amounts to the next lower dollar; provided for coordinating SSI and OASDI cost-of-living increases; continued phasing out "hold harmless" protection for the two States which still retain that status; provided for excluding as resources certain funds set aside for burial expenses, as well as burial plots; and made other clarifying and technical changes.

The Administration estimates present law Federal program costs as follows:

[In millions of dollars]

	Fiscal year—		
	1982	1983	1984
Federal benefits	6,833	7,695	6,572
Hold-harmless payments	20	12	5
Beneficiary services	14	97	5
Administrative and other costs	810	956	927
Total	7,677	*8,760	*7,509

*1983 reflects 13 months of benefit payments; 1984 reflects 11 months of benefit payments.

Proposed Legislation

The Administration's budget estimates for SSI reflect net outlay increases of $85 million in 1983 and $341 million in 1984 resulting from legislation, including the recommendation of the National Commission on Social Security Reform to increase the disregard of OASDI income from $20 to $50, and other changes as shown below.

SSI PROPOSALS

[In millions of dollars]

	Fiscal year—	
	1983	1984
Increase the disregard of OASDI income	+195	+530
Six-month COLA delay	−110	−145
Eliminate windfall benefits		−14
Cross program recovery of overpayments		−19
Other unspecified proposals		−11
Total	+85	+341

Increase the disregard of OASDI income.—The original SSI statute enacted in 1972 included a provision to disregard $20 of income received by an individual in a month in determining eligibility and the amount of the SSI benefit. The income may be earned or unearned (except for some income based on need, such as veteran's pensions, which is fully counted). The disregard was provided to ensure that persons who had contributed toward an earned entitlement, such as OASDI, or persons who were currently working were better off than those who had not. The amount of the disregard has not been increased since 1972.

The Administration has included in its fiscal year 1984 budget the recommendation of the National Commission on Social Security Reform to increase the SSI disregard by $30 per month of OASDI income (not other income) in determining SSI eligibility and benefit amount. The effect would be to increase by $30 the monthly income of those individuals who are entitled to both OASDI and SSI, effective in July 1983.

Six-month COLA delay.—Under present law, the Social Security Act provides that OASDI and SSI benefits will be increased whenever the Consumer Price Index (CPI) for the first quarter of a year rises by at least 3 percent when compared to the CPI for the first quarter of the preceding year. The cost-of-living adjustment (COLA) is based on the increase in the CPI and is paid in July.

The Administration proposes delaying the cost-of-living benefit adjustment by 6 months, beginning with the 1983 benefit increase which would be paid in January 1984. (The budget also includes the National Commission's recommendation to delay the OASDI benefit increase by six months.) There would be no change in the manner in which the January 1984 COLA would be calculated. However, in future years the COLA would be calculated as the increase in the CPI in the third quarter of a year over the third quarter of the preceding year. This would keep the period from the end of the measuring period to the month in which the increase is given comparable to present law.

Eliminate windfall benefits.—Legislation was enacted in 1980 aimed at ensuring that an individual's entitlement under the OASDI and SSI programs would not result in windfall benefits. Under this legislation, OASDI lump-sum payments are reduced by the amount of any SSI payments which an individual received and which would not have been payable if he had received OASDI benefits on a current basis (from the time of entitlement). The Administration is recommending a technical change in this provision to ensure that the purpose of the 1980 legislation is achieved.

The Administration proposal would: extend the provision to cases where OASDI benefits are paid before the SSI benefits, but for the same period; extend the provision to apply to OASDI benefits paid after a period of benefit suspension; and make technical corrections to better integrate the provision with the retrospective monthly accounting provision enacted in 1981.

Cross-program recovery of overpayments.—The Administration is planning to submit legislation designed to simplify and improve SSA debt management and program administration. This will include a proposal to require cross-program recovery of overpayments, which would allow SSA to collect overpayments made under one program (OASDI, SSI and black lung) from benefits payable under another. A similar proposal was submitted by the Administration last year and was approved by the Committee. It was deleted in conference with the House.

Chart 10.—MEDICARE TRUST FUNDS UNDER PRESENT LAW

[Amounts in millions]

	Fiscal year						
	1982	1983	1984	1985	1986	1987	1988
Hospital insurance:							
Income [2]	37,611	28,030	44,113	48,372	55,138	60,242	64,855
Outgo	34,864	39,203	45,133	51,788	58,394	67,530	76,779
Net increase	2,747	−11,173	−1,020	−3,416	−3,256	−7,288	−11,924
Funds at end of year	20,840	9,667	8,647	5,231	1,975	−5,313	−17,237
Ratio [3]	51.9	53.2	21.4	16.7	9.0	2.9	−6.9
Supplementary medical insurance:							
Income	17,627	19,195	21,894	26,013	29,857	34,111	38,723
Outgo	15,560	18,270	21,478	25,010	28,793	32,862	37,365
Net increase	2,067	925	416	1,003	1,064	1,249	1,358
Funds at end of year	5,810	6,735	7,151	8,154	9,218	10,466	11,824
Ratio	24.1	31.8	31.4	28.6	28.3	28.1	28.0

Source: Department of Health and Human Services, Office of the Actuary.

[1] Present law assumes economic assumptions included in Presidents 1984 budget.

[2] Includes an interest repayment for the interfund loan of $12,437 million to OASI. If these payments are not made, the fund at the end of the Year would be $8,973, $6,616, and $1,863 million in fiscal years 1983, 1984 and 1985, respectively.

[3] Assets at beginning of year as a percentage of outgo during the year.

Chart 10

Medicare Trust Funds Under Present Law

This chart shows the status of the two trust funds in each of seven fiscal years. The data in this chart were provided by the Office of the Actuary and are based on current law and take into account the amounts loaned from the Hospital Insurance Trust Fund to the Old Age Survivors Insurance Program (OASI), a total of $12.4 billion in 1982.

The projections for the Hospital Insurance Trust Fund do not include any of the provisions which the Administration supports that affect social security financing and trust fund balances, such as prospective payment and the proposals of the National Commission on Social Security Reform.

The assumptions for the Hospital Insurance Trust Fund assume interest repayments for the interfund loan made to OASI. If the payments fail to be made, the trust fund will become insolvent sometime during 1986.

Outlays for medicare are expected to continue to increase rapidly as a result of increasing health costs in general and hospital costs in particular.

Chart 11.—HEALTH PROGRAMS: PRESENT LAW (ADMINISTRATION ESTIMATES)

[Dollars in billions]

	Fiscal year—	
	1983	1984
Medicare trust funds:		
Hospital insurance:		
Income	40.5	44.1
Outgo	39.3	45.3
Net increase	1.2	−1.2
Interfund borrowing	−12.4	....
Supplementary medical insurance:		
Income	19.2	21.9
Outgo	18.1	21.2
Net increase	1.1	.7
Medicaid:		
Federal expenditures	19.3	21.2
State costs	16.2	18.1
Total program	35.5	39.3
Maternal and child health	.4	.4

Source: Budget appendix.

Chart 11

Health Programs: Present Law

MEDICARE

Medicare is a nationwide health insurance program for the aged and certain disabled persons authorized by Title XVIII of the Social Security Act. It consists of two parts: Part A, or the Hospital Insurance program, provides protection against the costs of inpatient hospital services and related institutional costs; Part B, or the supplementary Medical Insurance Program, is a voluntary program which provides protection against the costs of physician services and other medical services.

The Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248), commonly referred to as TEFRA, contained a number of amendments to medicare that resulted in savings to the program. The savings are primarily attributable to reductions in provider payments. TEFRA significantly modified the existing hospital cost reimbursement system by expanding previous limits to include ancillary costs, establishing a 3-year target rate reimbursement system, and providing for the development of a prospective reimbursement system. The fiscal year 1984 savings to medicare as a result of these changes is estimated in the Administration budget at $2.5 billion.

The Administration budget estimates current law benefit and administrative outlays under medicare at $66.5 billion in fiscal year 1984. Of this amount, benefit payments account for $65.1 billion. This represents an increase of 16.3 percent over the fiscal year 1983 benefit payments of $56.0 billion. The Budget estimates that inpatient hospital expenditures will account for 65 percent of benefit payments, physicians services 24 percent, and skilled nursing facility services 1 percent.

Income to the trust funds in fiscal year 1984 is estimated at $66 billion, a shortfall over outgo of $0.5 billion.

MEDICAID

Medicaid is a federally aided, State-designed and administered program authorized by Title XIX of the Social Security Act, which provides medical assistance for certain categories of low income persons who are aged, blind, disabled or members of families with dependent children. Subject to Federal guidelines, States determine eligibility and the scope of benefits to be provided. Whatever a State is otherwise entitled to in Federal matching payments is reduced by 4 percent in fiscal year 1983 and 4.5 percent in fiscal year 1984. Under certain circumstances a State may be able to partially or fully offset the amount of its reduction.

The Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248) included several provisions designed to reduce Federal outlays.

These included provisions modifying program cost-sharing requirements and facilitating States' ability to impose liens on beneficiary estates.

The fiscal year 1984 savings to medicaid as a result of these changes is estimated in the Administration budget at $275 million.

The Administration budget projects total Federal-State medicaid costs for fiscal year 1984 under current law to be $39.3 billion, of which the Federal share is $21.2 billion. Of the Federal amount, $20.0 billion represents payments for benefits, with the remaining $1.2 billion going for State and local administrative costs. This represents an increase in total Federal outlays of 9.8 percent over fiscal year 1983.

States match Federal expenditures under medicaid, with total State expenditures accounting for approximately 46 percent of total program costs.

Under current law, in fiscal year 1984 State medicaid costs are estimated to be $18.1 billion, an increase of 11.7 percent over fiscal year 1982.

MATERNAL AND CHILD HEALTH BLOCK GRANT

Title V of the Social Security Act authorizes the Maternal and Child Health Services Block Grant which provides funding for the following programs: Maternal and Child Health and Crippled Childrens Services; Supplemental Security income services for disabled children; lead-based paint poisoning prevention; genetic disease; sudden infant death syndrome; hemophilia; and adolescent pregnancy. Under the Title V Block Grant, States determine the level of services. Typically States have supported such health services as those available in maternity clinics and well-child checkups.

P.L. 97-35 created the block grant by adding to maternal and child health and crippled children services those functions described above. The Federal/State matching requirements were also changed and now require the States to spend seventy-five cents to get a dollar.

The authorization level for the block is $373 million for fiscal year 1982 and subsequent fiscal years. For fiscal year 1983, the appropriation under the Continuing Resolution (P.L. 97-377) is set at $373 million.

Of this amount 85 percent ($317,050,000) will be allocated to States to provide block grant services; 15 percent ($55,950,000) will be retained by the Secretary for projects of regional and national significance, research, and training related to maternal and child health; and genetic disease and hemophilia programs.

Chart 12.—HEALTH PROGRAMS

Administration Legislative and Regulatory Proposed Changes

[Dollars in millions]

	Fiscal year—	
	1983	1984
MEDICARE		
Legislative proposals:		
Restructure cost-sharing		–$710
Prospective payments for hospitals		
Medicare voucher program		
Freeze MD reasonable charges	–$100	–700
Reduce hospital target rate		–80
Index Part B deductible		–50
Delay initial eligibility date		–215
Eliminate utilization review		–58
Durable medical equipment coinsurance		–15
Competitive procurement		–9
Waiver of provider liability		–10
Program management		–9
Total legislative savings	–100	–1,856
Other:		
Part B premium timing and increases (decrease in trust fund revenue)		–368
Impact of tax law changes (increase in trust fund revenue)		+332
MEDICAID		
Legislative proposals:		
Mandatory copayments		–249
Assignment of rights		–6

Chart 12.—HEALTH PROGRAMS—Continued

[Dollars in millions]

	Fiscal year—	
	1983	1984
Crossover claims		−1
Extension of Federal reductions		
Impact of changes in other programs:		
Impact of AFDC proposals		−93
Impact of medicare proposals	−7	+56
Total legislative savings	−7	−293
Regulatory initiative:		
Third party collections from child support		−89
MATERNAL AND CHILD HEALTH		
Legislative proposal:		
Modification of block grant requirements		

Chart 12

Health Programs: Administration Legislative and Regulatory Proposed Changes

MEDICARE

The Administration's fiscal year 1984 budget contains various proposed legislative initiatives resulting in an estimated savings to the program in fiscal year 1984 of $1.9 billion.

Legislative Initiatives

1. Restructure beneficiary cost-sharing and provide coverage for unlimited hospital days (catastrophic coverage).—The Administration budget proposes to restructure the current inpatient hospital and skilled-nursing facility patient cost-sharing requirements as follows:

—Eliminate cost sharing for any hospital days after 60 days in a benefit period.

—Impose a daily copayment equal to 8 percent of the inpatient deductible (estimated to be $28/day during calendar year 1984) from day 2 through day 15; and impose a daily copayment amount equal to 5 percent of the inpatient hospital deductible (estimated to be $17.50/day during calendar year 1984) from the 16th through 60th day of hospitalization in a benefit period.

—Limit the number of times a beneficiary must pay an inpatient hospital deductible to two each year.

—Reduce the skilled nursing facility daily copayment amount from 12.5 percent to 5 percent of the inpatient hospital deductible. The Administration estimates that the proposal will reduce outlays for fiscal year 1984 by $710 million.

2. Establish prospective payment system for hospitals.—The Administration budget proposes to change the basis on which medicare payments to hospitals are made from a "cost-based" system to a prospective payment system. Hospitals would receive a fixed payment per case based on the patient's diagnosis. The Administration estimates that the proposed prospective payment system will produce savings equal to the estimate of savings associated with the hospital reimbursement changes included in the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). Provisions contained in TEFRA are estimated to achieve a savings of $1.5 billion in fiscal year 1984.

3. Voluntary medicare voucher program.—The Administration budget proposes to establish a voluntary medicare voucher program under which beneficiaries could elect to receive services through a private health benefits plan (including certain health maintenance organizations) rather than through participation in medicare. The private plans would have to offer benefits at least equivalent to medicare. The Government would contribute an amount equal to 95 percent of the average per-person cost of medicare coverage toward the purchase of private protection. The Administration estimates that there will be no cost impact in fiscal year 1984; it estimates that an additional $50 million will be spent in fiscal year 1985.

4. Freeze "reasonable charges" for physicians' services.—The Administration budget proposes to postpone the annual updating of both the customary and prevailing charge limits for physicians' services that would otherwise occur on July 1, 1983. For the period July 1, 1983 through June 30, 1984, the limits would remain at their current levels. The Administration estimates that this proposal will reduce outlays for fiscal year 1983 by $100 million and the outlays for fiscal year 1984 by $700 million.

5. Reduce hospital cost target rate by one percentage point.—The Administration budget proposes to modify the target rate reimbursement system for hospitals which was established under the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). The yearly increase would equal the marketbasket index only, thereby excluding the additional one percentage point currently authorized. The Administration estimates that this proposal will reduce outlays for fiscal year 1984 by $80 million.

6. Modify timing and rate of increase in Part B premium.—The Administration budget proposes to postpone the scheduled July 1, 1983 increase in the monthly Part B premium rate (from the current $12.20 to $13.50) to January 1, 1984 to coincide with a proposed delay in the cost-of-living increase in social security cash benefit payments. For calendar year 1984, the premium would be allowed to increase to the TEFRA-defined level of 25 percent of Part B program costs for the elderly. Beginning in 1985, the premium would be allowed to increase so that the percentage of program costs financed by premiums would increase 2½ percentage points per year with calendar year 1988, when the premium would be set at a rate equal to 35 percent of the costs of the program for the aged. This proposal results in loss of premium income into the Supplementary Medical Insurance Trust Fund in fiscal year 1984. It affects income (i.e., budget authority), but does not impact outlays. The Administration estimates that the revenue lost under the provision during fiscal year 1984 will amount to $368 million.

7. Index Part B deductible.—The Administration budget proposes, beginning in calendar year 1984, to increase the Part B deductible by the same percentage as the increase in the medicare economic index. (This is the index used to set limits on increases in prevailing charges for physicians' services.) The Administration estimates this proposal will reduce outlays for fiscal year 1984 by $50 million.

8. Delay in initial eligibility date for medicare entitlement.—The Administration budget proposes to defer initial eligibility for both Parts A and B of Medicare to the first day of the month following the month the individual reaches age 65. The Administration estimates that this one month delay will reduce outlays for fiscal year 1984 by $215 million ($155 million for Part A and $60 million for Part B).

9. Eliminate mandatory utilization review.—The Administration budget proposes to eliminate the requirement for utilization review in hospitals and skilled nursing facilities. The Administration estimates that this proposal will reduce outlays for fiscal year 1984 by $58 million.

10. Reduce reimbursement to home health agencies for durable medical equipment.—The Administration budget proposes to reimburse home health agencies for durable medical equipment at 80 percent (rather than 100 percent) of reasonable cost. The agencies would be permitted to bill beneficiaries for the remaining 20 percent. The Administration estimates that this proposal will reduce outlays for fiscal year 1984 by $15 million.

11. Competitive procurement of laboratory services, durable medical equipment and other medical supplies.—The Administration budget proposes to employ competitive purchasing procedures for the procurement of laboratory services, durable medical equipment, and other medical supplies. The Administration estimates the proposal will reduce outlays for fiscal year 1984 by $9 million.

12. Eliminate waiver of provider liability for uncovered services.—The Administration budget proposes to eliminate the waiver of liability provision under which payment is made for certain uncovered or medically unnecessary care if the institution could not have known payment would be disallowed. The Administration estimates that this provision will reduce outlays for fiscal year 1984 by $10 million.

13. Program management.—The Administration budget proposes several initiatives including changing the basis for processing medicare hospital claims, eliminate the end-stage renal disease (ESRD) program networks and eliminate a separate Part B contract carrier for the railroad retirement board. The Administration estimates that the claims processing provision will reduce outlays for fiscal year 1984 by $3 million; the elimination of ESRD networks will reduce outlays for fiscal year 1984 by $4.5 million; and the provision relating to the railroad retirement board will reduce outlays by $1.5 million.

14. Increased revenues for hospital insurance.—The Administration budget proposes a number of tax law changes which will result in increased social security tax revenues into the Health Insurance trust fund. These include taxing employee health benefits, applying social security tax to nonprofit organizations, and prohibiting State and local government agencies from dropping out of the Social Security system. The Administration estimates that these proposals will increase revenues to the Hospital Insurance Trust Fund by $322 million in fiscal year 1984.

MEDICAID

The Administration's fiscal year 1984 budget contains several legislative and one regulatory initiative designed to achieve a reduction of $7 million in fiscal year 1983 and $293 million in fiscal year 1984.

Legislative Initiatives

1. Required Cost-Sharing by Medicaid Recipients.—The Administration budget would mandate the imposition of the following copayment amounts:

—For the categorically needy, $1 per visit for physician, clinic, and hospital outpatient department services;

—For the medically needy, $1.50 per visit for physician, clinic, and outpatient department services;

—For the categorically needy, $1 per day for inpatient hospital services;

—For the medically needy, $2 per day for inpatient hospital services.

The Administration estimates that this proposal will reduce Federal outlays by $249 million in fiscal year 1984.

2. Improve third-party collections.—The Administration budget proposes to require, as a condition of medicaid eligibility, that an applicant assign his or her health insurance rights to the State medicaid agency. The Administration estimates that this proposal will reduce outlays in fiscal year 1984 by $6 million.

3. Simplified handling of cross-over claims.—The Administration budget proposes to require that medicare/medicaid claims on behalf of individuals dually eligible for medicare and medicaid, be processed a single time by the medicare carrier. The carrier would make the payment to the provider; the State medicaid agency would make the appropriate payment to the medicare carrier. The Administration estimates that this proposal will reduce outlays for fiscal year 1984 by $1 million.

4. Extend reduction in Federal payments.—The Administration budget proposes to extend indefinitely the existing provisions relating to reductions and offsets in Federal matching payments over the fiscal year 1982–1984 period. The reduction would be 3 percent for fiscal year 1985 and beyond. The Administration estimates that the proposal will have no cost impact in fiscal year 1984; it will reduce outlays in fiscal year 1985 by $525 million.

5. Impact of changes in other program.—The Administration budget is proposing a number of changes in AFDC which will reduce AFDC caseloads. Since medicaid eligibility is linked to eligibility for AFDC, medicaid savings are also anticipated. The Administration budget is also proposing a number of modifications in medicare (primarily increases in required beneficiary cost-sharing charges), which will result in increased medicaid costs on behalf of dual recipients. The Administration estimates reductions in outlays for fiscal year 1984 of $93 million due to AFDC changes. It estimates increases in outlays for fiscal year 1984 of $56 million due to medicare changes.

Regulatory Initiative

1. Third party liability collections.—The Administration budget proposes to require State Child Support Enforcement (CSE) agencies to petition the court to include medical support as part of the child support order whenever health care coverage is available to the absent parent at a reasonable cost. In addition improved information exchange would be required between the CSE and medicaid agencies on the availability of health insurance coverage. The Administration estimates that the initiative will reduce outlays for fiscal year 1984 by $89 million.

MATERNAL AND CHILD HEALTH

The Administration is proposing revisions to the Maternal and Child Health Block Grant. No savings are estimated in fiscal year 1984.

Legislative Initiative

1. Revisions to the Maternal and Child Health Block Grant.—The Administration proposes to revise the Maternal and Child Health Block Grant in order to "improve and streamline the administration of that program and to provide greater State flexibility and control over the program." It proposes to:

—Eliminate the Federal set-aside of 10 to 15 percent;

—eliminate the requirement for State matching funds;

—repeal prohibition against States using Federal funds for research or training by a for-profit entity;

—permit States to transfer up to 10 percent of Federal funds to other block grants administered by the Secretary of Health and Human Services (and permit use of funds transferred from other block grants);

—delete requirement for State description of data they intend to collect; require States to describe the criteria and method to be used to distribute funds;

—remove requirements for: State assurances pertaining to application of guidelines with respect to health care assessments and services; use of a portion of block grant funds for specific activities; imposition of charges on others tied to ability to pay, and appropriate coordination with other related programs;

—remove prohibition on imposition of charges for services furnished to low income beneficiaries;

—require States, rather than the Secretary, to determine the form and content of their annual activities reports; but would require States to explain how their previously stated goals and objectives had been met; and

—eliminate requirement that a specific State agency in each State be required to be responsible for the administration of the block grant funds.

CHART 13.—REVENUE SHARING; INTEREST ON THE PUBLIC DEBT

[Dollars in billions]

	FY 1983	FY 1984
Revenue sharing	$4.6	$4.6
Interest	88.9	103.2

Note.—Committee decisions on deficit and debt limit determine estimate.

Chart 13

Revenue Sharing; Interest on the Public Debt

GENERAL REVENUE SHARING

General revenue sharing has been a central part of the Federal Government's efforts to assist local governments. In 1980, Congress approved legislation to extend this program through September 30, 1983. The 1980 extension legislation provided for outlays of $4.6 billion in each of the fiscal years 1981, 1982, and 1983. This amount is distributed to local governments, and represents a reduction of $2.3 billion from the level of funding during the previous entitlement period caused by the elimination of the States from the program on an entitlement basis. Since the inception of general revenue sharing, total payments of approximately $66 billion have been made to local and State governments, covering calendar years 1972 through 1982 and ending with the January 1983 payment.

In extending general revenue sharing through 1983 Congress authorized payments to State governments in fiscal years 1982 and 1983 only if Congress appropriated funds for such payments. In addition, such payments would be contingent on the recipient State government forgoing or returning to the Treasury an equivalent dollar amount in other Federal categorical grant funds. Any State that elected to make this tradeoff would be limited to the amount of revenue sharing funds for which it would be eligible under the existing formula for distributing revenue sharing funds to State governments. The Reagan administration requested no appropriation for a State share in fiscal 1982 or fiscal 1983, and this grant-trading mechanism has not been implemented.

The budget proposes extending general revenue sharing beyond its expiration date of September 30, 1983 at the existing funding level of $4.6 billion going to localities. In addition, as part of a revised Federalism initiative outlined in the administration's budget for fiscal year 1984 and transmitted to Congress on February 24, the entitlement portion of the $3.5 billion community development block grant program would be combined with revenue sharing to form a single program of Federal fiscal assistance to localities. These community development block grant funds presently are allocated by formula to large cities and urban counties, and are designed to provide flexible community and economic development support.

INTEREST ON THE PUBLIC DEBT

Budget outlays for interest on the public debt for fiscal year 1984 are estimated to rise to a level of $144.5 billion from $128.1 billion in fiscal year 1983. These projected increases result from the financing of budget deficits for each of these years and from Federal borrowing to finance off-budget Federal entities.

Net outlays for interest on the public debt, as identified in Chart 13, reflect offsetting payments from the Federal Financing Bank, interest charges by Treasury to Federal agencies and the public, and interest received by trust funds from the Treasury. In previous budgets interest received by trust funds was included in undistributed offsetting receipts. The net outlays for interest on the public debt amount to $88.9 billion in fiscal year 1983 and $103.2 billion in fiscal year 1984. When the committee has completed its decisions on revenues, expenditures, and budget deficits, the appropriate interest figures can be calculated.

It should be noted that the budget assumes that interest rates will continue to decline over the next few years. The interest outlay estimate assumes that the 91-day bill rate will drop gradually from an average of 10.8 percent in calendar year 1982 to 7.9 percent in 1984 and to 6.8 percent by 1986.

Chart 14.—REVENUES: PRESENT LAW

[Dollars in billions]

	FY 1983	FY 1984
Individual income tax	$285.2	$295.6
Corporation income tax	35.3	51.8
Social insurance taxes	210.3	242.9
Excise taxes	37.3	40.4
Estate and gift taxes	6.1	5.9
Customs duties and other receipts	23.3	23.1
Total	597.5	659.7

Chart 14

Revenues: Present Law

Federal revenues are in large part composed of receipts from income and payroll taxes. The administration budget estimates that in fiscal year 1983 these revenues together with receipts from excise taxes, estate and gift taxes and other revenue sources will yield a total of $597.5 billion under present law. For fiscal year 1984, the administration budget projects a revenue yield of $659.7 billion under present law.

Income taxes paid by individuals are estimated to amount to $295.6 billion for fiscal year 1984. Revenues from this source, the largest single source of Federal revenue, will amount to 44.8 percent of total Federal revenue.

Income taxes paid by corporations are estimated at $51.8 billion for fiscal year 1984. Estimated corporate income tax receipts for 1983 dropped sharply in the administration budget over earlier estimates. This drop is attributable to reduced estimates of corporate profits, which reduced corporations' taxable income.

Social insurance taxes and contributions, composed of social security and other payroll taxes, unemployment insurance taxes and deposits, Federal employee retirement contributions, and premium payments for supplementary medical insurance, are expected to total $242.9 billion. Receipts from these sources in fiscal year 1984 will account for approximately 36.8 percent of the total Federal revenues.

Excise taxes imposed on selected commodities, services, and activities (including crude oil production) are expected to provide $40.4 billion during fiscal year 1984.

Estate and gift taxes imposed on the value of property held at death and on inter vivos transfers of property are projected to produce $5.9 billion during fiscal year 1984.

Customs duties levied on imports, other taxes, and miscellaneous receipts (such as deposits of earnings by the Federal Reserve System) are expected to total $23.1 billion for fiscal year 1984.

Chart 15.—REVENUES: PROPOSED LEGISLATION[1]

[In billions of dollars]

	1983	1984	1985	1986
Tuition tax credit		–0.2	–0.5	–0.8
Enterprise zone tax incentives		–.1	–.4	–.8
Taxation of health insurance premiums		2.3	4.4	6.0
Jobs tax credit	–*	–.2	–.2	–.1
Social security changes [2]		6.1	–3.5	1.5
Higher education tax incentives		–*	–.1	–.2
Subtotal	–*	7.9	2.7	5.6
Contingency tax plan				46.0
Total	–*	7.9	2.7	51.6

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*$50 million or less.

[1] These estimates are based on the direct effect only of legislative changes at a given level of economic activity. Induced effects are taken into account for forecasting incomes, however, and in this way affect the receipts estimates by major source and in total.

[2] These revenue estimates are net increases or decreases in budget receipts that will result from the Administration's proposed tax changes in the social security program. These estimates have been supplied by the Department of the Treasury.

[3] The Administration assumes that many of the employee tax credits caused by Old Age and Survivors and Disability Insurance rate increases in fiscal year 1984 will not affect budget receipts until fiscal year 1985.

Chart 15

Revenue: Proposed Legislation

ADMINISTRATION PROPOSALS

A. Substantive Tax Law Changes

The Administration has proposed a variety of changes to the tax code designed to introduce new tax incentives or to change the costs of existing tax incentives. These changes, which are described briefly below, are estimated by the Administration to result in a small decrease in Federal revenues during fiscal year 1983 and a net increase in Federal revenues during fiscal year 1984 and subsequent years. In addition, the Administration has proposed a contingency tax plan which would, if implemented, substantially increase Federal revenues in fiscal year 1986.

Tuition tax credit.—The Administration has proposed a nonrefundable credit for 50 percent of tuition expenses paid to private elementary and secondary schools for certain qualified dependent taxpayers. The maximum credit allowable for each dependent is $100 in 1983, $200 in 1984, and $300 thereafter, with the maximum amount in each year phased out for taxpayers with incomes between $40,000 and $60,000. Credits would not be allowed for expenses paid to private schools which follow a racially discriminatory policy. This proposal would be effective for expenses incurred after July 31, 1983, and is estimated by the Administration to reduce budget receipts by $0.2 billion in fiscal year 1984.

Enterprise zone program.—Under current law the only tax incentive specifically designed for redevelopment of economically distressed areas is a relaxation of limitations on tax-exempt financing for facilities receiving assistance under the Urban Development Action Grant program. The Administration has proposed that, beginning in fiscal year 1983, up to 25 small areas per year (not to exceed 75 in total) be designated as "enterprise zones" within which Federal tax and other incentives would be provided. Starting in 1984, businesses in the zones would be entitled to exemptions from tax for certain capital gains, and to tax credits for capital investment, for increases in employment, and for hiring disadvantaged employees. A tax credit also would be provided to employees in the zones. The tax incentives generally would be effective January 1, 1984. This proposal is estimated by the Administration to reduce budget receipts in fiscal year 1984 by $0.1 billion.

Tax treatment of health insurance premiums.—Under current law, compensation paid in cash is fully taxable for both social security tax and income tax purposes, while compensation paid in the form of health insurance benefits is generally nontaxable if certain conditions are met. The Administration has proposed that, effective January 1, 1984, employees be taxed on employer-paid health insurance premiums in excess of $175 per month for family plans and $70 per month for individual plans. This proposal is estimated by the Administration to increase budget receipts by $2.3 billion in fiscal year 1984.

Jobs tax credit for the long-term unemployed.—Under current law, no special tax incentives are provided to employers who hire individuals after they have experienced a long term of unemployment. Effective April 1, 1983, the Administration has proposed a new tax credit for employers that hire individuals who have exhausted their regular and extended unemployment insurance benefits and who would have met the criteria for Federal supplemental compensation benefits. This proposal is estimated by the Administration to reduce budget receipts by a negligible amount in fiscal year 1983, and $0.2 billion in 1984.

Social Security Changes.—At present, social security benefits are exempt from the Federal income tax. Under the proposed plan, single taxpayers with more than $20,000 ($25,000 for married couples filing a joint return) of adjusted gross income from non-social security sources would be required to include in adjusted gross income one-half of their social security benefits.

In addition, the combined employer-employee Old Age and Survivors and Disability Insurance payroll tax rate is currently scheduled to increase from 10.8 percent to 11.4 percent on January 1, 1985 and to 12.4 percent on January 1, 1990. Under the proposed plan, the rate would increase to 11.4 percent on January 1, 1984, 12.12 percent on January 1, 1988 and to 12.4 percent (as currently scheduled) on January 1, 1990. Employees would be allowed a refundable credit on their income tax equal to their portion, 0.3 percent, of the rate increase accelerated to 1984. The proposal is estimated by the Administration to result in a $6.1 billion net increase in budget receipts in fiscal year 1984. A discussion of each provision of the National Commission on Social Security Reform consensus package is included in chart 5.

Higher education tax incentives.—The Administration has proposed that there be an exclusion from tax for earnings on savings deposited in special accounts to pay future higher educational expenses of dependent children. This exclusion, which will be subject to certain limitations, will be effective January 1, 1984. This proposal is estimated by the Administration to reduce budget receipts by a negligible amount in fiscal year 1984.

B. Contingency Tax Plan

The Administration has proposed a contingency tax plan which will not affect Federal revenues until fiscal year 1986. The plan is designed as a stand-by measure to insure that budget deficits for fiscal years 1986 and beyond will be reduced. The plan has two components which are briefly described below.

Individual and corporate income tax surcharge.—Under current law, the income of both individuals and corporations is subject to graduated tax rates. The Administration has proposed an additional surcharge tax of 5 percent on taxes paid by individuals and corporations.

Oil excise tax.—Under current law, domestically produced oil is subject to the Crude Oil Windfall Profits Tax and certain environmental taxes, and imported oil is subject to import duties and certain environmental taxes. The Administration has proposed an excise tax of $5 per barrel on both domestically produced and imported oil.

The contingency taxes will become effective October 1, 1985, only if three conditions are met: (1) Congress adopts the Adminstration's spending reductions and structural reforms of Federal entitlement programs; (2) the unified budget deficit for fiscal year 1986 is forecasted by the Administration, on July 1, 1985, to be above two and one-half percent of GNP; and (3) on July 1, 1985, the economy is growing.

If the contingency taxes become effective, they will remain in place for up to 36 months. The contingency plan will not affect budget receipts in fiscal year 1984.

C. User Fees

The Administration has proposed a variety of measures to recover the cost of direct and indirect services provided by the Federal Government to identifiable groups of business and private users. The proposal would increase or institute new categories of user fees. A few examples are briefly described below. For budget purposes, the Administration has classified most of these fees as proprietary receipts and has offset the expected savings against outlays in certain specific Federal agencies. The Finance Committee will have jurisdiction over any fee recovery proposal that can be classified as a tax.

Coast Guard user fees.—The Administration has proposed to assess fees on commercial and recreational boating to offset the cost of selected Coast Guard services in fiscal years 1983 and 1984.

Corps of Engineers navigation user fees.—Beginning in 1983, the Administration has proposed to increase fees paid by commercial vessels using the inland waterways and the deep draft channels and harbors.

D. Other Administration Proposals

The Administration has indicated additional areas in which it will propose legislation affecting Federal revenue receipts in fiscal years 1983 and 1984.

Caribbean Basin initiative.—Under current law, expenses incurred in attending business conventions outside of the North American area are deductible only if it is as reasonable to hold the convention outside the North American area as within it. In addition, only taxes collected on rum produced in Puerto Rico or the U.S. Virgin Islands and transported to the United States are transferred to Puerto Rico or the U.S. Virgin Islands. The Caribbean Basin Initiative contains a two-part tax incentive package: (1) the allowance of U.S. income tax deductions for certain convention expenses in order to promote tourism in the Caribbean Basin, and (2) a tax transfer provision to insure that Puerto Rico and the U.S. Virgin Islands do not lose tax revenue on their rum shipments to the United States as a result of duty-free treatment of Caribbean Basin rum. The proposal is estimated by the Administration to reduce budget receipts by a negligible amount in fiscal years 1983 and 1984.

Federalism initiative.—The Administration has proposed a federalism initiative which provides for the eventual transfer of revenue sources to States and localities as they assume responsibility for programs that are now administered and funded by the Federal Government. During the first phase of this initiative (1984–1987), some existing excise taxes would be dedicated to a special fund. This fund would be used to continue interim financing of the programs selected to be returned to the States and localities, or would provide payments to the States equal to the cost of these programs. The choice would be made by the States. The establishment of this fund is estimated by the Administration to have no effect on Federal revenues.

Contributions to civil service retirement.—The Administration has proposed legislation to make several changes in employer and employee contributions to civil service retirement to ensure that employers and employees each pay 50 percent of retirement costs. Historically, the committee has not asserted its jurisdiction over legislation to make changes in employer and employee contributions to civil service retirement. However, the committee maintains its jurisdiction over all tax-qualified pension plans.

OTHER PROPOSALS

Both the Administration and several members of the committee have indicated interest in a variety of additional tax proposals which would have their initial impact on revenues in fiscal years 1983 and 1984. Among these proposals are improvements in tax equity and compliance, income tax base-broadening measures, flat rate tax, insurance company taxation, taxation of newly discovered oil under the Crude Oil Windfall Profit tax, job-creation programs, and tax reform in the areas of domestic relations, corporate taxes generally, and Domestic International Sales Corporations. Some committee members have also expressed an interest in delaying the effective date or modifying the third individual rate reduction and modifying or repealing the 1985 indexing provision enacted in the Economic Recovery Tax Act.

The committee may also wish to consider certain tax provisions which expire at the end of 1983, including the authority to issue tax-exempt mortgage revenue bonds, the moratorium on fringe benefit regulations, and the special bank loan loss reserve provision in the Economic Recovery Tax Act.

The committee may also consider a variety of other proposals affecting individual and corporate taxation.

Allowance for minor income tax and tariff bills.—The budget resolutions set an overall floor on revenues and this floor is, after the second resolution, enforceable by points of order. While this procedure is intended to provide budgetary control over major revenue changes, it also applies to bills which have only a very minor revenue impact but may be important for other reasons, such as tariff bills or bills designed to correct inequities in the treatment of taxpayers.

In order to avoid unduly restricting the flexibility of the Senate to consider such measures, the committee has in the past recommended that an allowance of $0.1 billion for minor tax and tariff legislation be incorporated into whatever revenue levels are established in the budget resolution.

Chart 16.—TAX EXPENDITURES: PRESENT LAW

[Dollars in billions]

	FY 1983	FY 1984
Commerce and housing credit	92.3	96.9
Income security	87.2	95.7
General purpose fiscal assistance	29.3	32.0
Education, training employment, and social services	12.9	13.6
Health	23.8	26.2
Energy	5.2	4.8
International affairs	2.7	2.4
Other tax expenditures	8.8	8.9
Total	262.2	280.5

Chart 16

Tax Expenditures: Present Law

The concept of tax expenditures was developed in order to compare the Federal Government's outlays to the budgetary impact of various deductions, deferrals, and credits in the tax structure. It was intended that, with this information, consideration of the budget might involve examination of both direct and tax expenditures as alternate means of providing incentives.

The Budget Act defines a tax expenditure as the revenue loss arising from special exemptions, exclusions, or deductions from gross income, a special credit, a preferential rate of tax, or a deferral of tax. In general, the concept is intended to identify provisions in the tax law which either encourage certain behavior or compensate for specific hardship. The term encompasses tax provisions of limited applicability which are exceptions to provisions of more general applicability considered necessary to make the tax system function.

This definition of "tax expenditure" is imprecise. The imprecision in definition, as well as a possible implication that the Government has a pre-eminent right to all income, has resulted in substantial controversy. Because of the difficulty of achieving precision, the staff approach has been to be as comprehensive as is reasonable in deciding whether a provision should be included as a tax expenditure item, and has included all items listed as tax expenditures by the Administration. A listing of a provision as a "tax expenditure" here is not intended to imply approval or disapproval, or judgment about the effectiveness, of any provision. A listing simply reflects present law and, by implication, present public policy.

The chart presents a summary of tax expenditures by budget functional category and estimates of their revenue effects. The table containing the estimates presented by the Administration as a special analysis in the 1984 budget is reproduced as appendix C of this document.

If the various tax expenditures figures in the two columns were added they would total $262.2 billion in fiscal year 1983 and $280.5 billion in fiscal year 1984. However, simple addition of the separate items, even in functional categories, may not accurately reflect revenue loss. The revenue estimates are made with the assumption that only one item was repealed. If two or more changes were made at the same time, there could be interaction effects. For example, an affected taxpayer could be forced into a higher tax bracket than if only one change were made. Thus, the combined revenue impact would be different from the sum of the separate revenue estimates. Furthermore, some taxpayers have the choice of using other tax expenditures if they want to reduce their tax liability. Other taxpayers would be required to pay higher taxes, absent existence of a tax expenditure provision. These possibilities are not reflected by a simple totaling of separate items.

Chart 17.—DEBT LIMIT

[Dollars in billions]

Temporary debt limit through Sept. 30, 1983	$1,290.2
Reagan administration estimate of debt subject to limit Sept. 30, 1982	1,379.9
Plus:	
Federal funds deficit for FY 1984	205.7
Off-budget agency spending financed by Treasury	14.0
Other financing	3.0
Equals:	
Debt subject to limit, Sept. 30, 1984	1,602.6

Chart 17

Debt Limit

Under existing law, the debt limit is $1,290.2 billion until September 30, 1983. The temporary limit expires on September 30, 1983. In the absence of further legislation, the debt ceiling would decline on that date to its permanent level of $400 billion. The Reagan Administration estimates that legislation will be needed to change the limit on the public debt before that time.

For fiscal year 1984 the Reagan Administration assumes that the debt subject to limit would reach $1,602.6 billion on September 30, 1984. Underlying those estimates are the legislative proposals to reduce the Federal deficit outlined in the fiscal year 1984 budget proposed by the Administration and reductions in borrowing by off-budget Federal entities. The economic assumptions set forth in the fiscal year 1984 budget also determine the estimates of the debt subject to limit.

The fiscal year 1984 needs as estimated by the Administration include issue of debt by the Federal Financing Bank under the debt limit on behalf of various agency programs and several agencies whose activities are not included in the budget totals. In general, trust fund surpluses are invested in Government securities and therefore do not serve to reduce the debt subject to limit even though they do reduce the unified budget deficit.

APPENDIX A

Committee on Finance 1982 Report to the Budget Committee With Respect to Fiscal Year 1983

U.S. SENATE,
COMMITTEE ON FINANCE
Washington, D.C., March 4, 1982.

Hon. PETE V. DOMENICI,
Chairman, Committee on the Budget,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter transmits the views and estimates of the Committee on Finance on those aspects of the Federal budget for fiscal year 1983 that fall within the Committee's jurisdiction as is required by section 301(c) of the Congressional Budget Act of 1974.

Economic assumptions.—Many of the components which make up the budget totals are highly sensitive to relatively slight changes in economic conditions. The economic assumptions underlying the budget are presented on pages 2-1 to 2-16 of the Administration's fiscal year 1983 budget. For purposes of the first concurent resolution on the budget, the Finance Committee accepted these assumptions.

While the Administration's economic assumptions have been used as a basis for estimating revenues, unemployment compensation, social security benefits and other programs under Finance Committee jurisdiction, we recognize that there are alternative economic assumptions which might reasonably be supported. If the Budget Committee decides to adopt a different set of economic assumptions, an appropriate adjustment should be made in the revenue and outlay estimates.

Committee recommendations.—The Finance Committee believes that it can reduce the fiscal year 1983 deficit by at least as much as the President's budget. It may raise more revenue than the President proposed and cut spending less or it may cut spending more and increase revenue less. Alternatively it may both cut more spending than the President's budget and increase revenue more than his budget. In this letter we are merely stating that we hope to report legislation that reduces the deficit by at least as much as the President's budget.

Table 1.—FINANCE COMMITTEE FORWARDS RECOMMENDATIONS OF THE PRESIDENT CONCERNING BUDGET AUTHORITY AND OUTLAYS UNDER COMMITTEE JURISDICTION: FISCAL YEAR 1983

[In billions of dollars]

Functional category	Budget authority	Outlays
500—Education, training, employment, and social services	3.4	3.4
New legislation	−.6	−.6
550—Health	82.6	77.4
New legislation	−.9	−3.8
600—Income security	205.9	213.5
New legislation	−2.1	−2.1
850—General purpose fiscal assistance	4.9	4.9
900—Interest	133.2	133.2
New legislation	−.3	−.3

Expenditure programs.—The Committee on Finance has jurisdiction over a variety of programs which involve expenditures. These include such income maintenance programs as social security, supplemental security income, unemployment compensation, and welfare programs for families. Health programs under Finance Committee jurisdiction include Medicare, Medicaid, and maternal and child health, as well as national health insurance proposals. Other programs, within the committee's jurisdiction which involve the expenditure of Federal funds include social services and revenue sharing. Interest on the public debt, which on a gross basis will account for some $132.9 billion in Federal outlays during the coming fiscal year, also falls under the jurisdiction of the Committee on Finance.

The Committee on Finance has reviewed the Administration's expenditure reduction proposals within its jurisdiction and voted to forward these proposals listed by budget function to the Budget Committee, without endorsement of any specific proposal or functional totals.

Education, training, employment, and social services.—In this category, there are several programs under the jurisdiction of the Committee on Finance including the general social services program under title XX of the Social Security Act, the child welfare services program, and the work incentive program (WIN) for employable recipients of aid to families with dependent children. The Administration recommends that the congressional budget for fiscal year 1983 assume that net outlay reductions totaling $0.6 billion will be achieved in this function.

Health.—The Committee on Finance has jurisdiction over the Medicare, Medicaid, and maternal and child health programs. The Administration recommends that the congressional budget for fiscal year 1983 assume that net outlay reductions totaling $3.8 billion will be achieved in the health function.

Income security.—In the income security function of the budget, the Committee on Finance has jurisdiction over the basic national social insurance and public assistance programs. The major programs involved are old-age, survivors, and disability insurance, supplemental security income for the aged, blind, and disabled, aid to families with dependent children, and unemployment compensation. Under the revised budget conventions adopted in 1978, the refundable aspects of tax credits are now treated as expenditure items. As a result, the income security category estimates now include the refundable part of the earned income tax credit. The Administration recommends that the congressional budget for fiscal year 1983 assume that net outlay reductions of $2.1 billion will be achieved in the income security function.

General purpose fiscal assistance.—This function of the budget includes general revenue sharing, and other items such as payments to Puerto Rico of amounts equal to certain tax collections. The general revenue sharing program has been extended through fiscal year 1983. The Administration recommends that $4.9 billion be included in the fiscal year 1983 budget for this function.

Interest.—The interest function in the budget includes interest on the public debt, interest payments on certain tax refunds, and certain offsetting interest receipts. The committee estimates that present law, as modified by legislation proposed in the President's budget, will involve gross interest payments of $132.9 billion and net interest payments of $112.5 billion.

Table 2.—FINANCE COMMITTEE FORWARDS THE ADMINISTRATION'S REVENUE RECOMMENDATIONS: FISCAL YEAR 1983

	Billions
Present law	$653.3
New legislation (net)	12.8
Present law and legislation	666.1

Revenues.—The different types of Federal revenues include individual and corporate income taxes, social insurance taxes, excise taxes, estate and gift taxes, and customs duties. For purposes of this report, all Federal receipts have been treated as revenues; those receipts in the President's budget which do not fall within the Finance Committee's jurisdiction have been accepted without change.

The President's budget for fiscal year 1983 estimates total revenues of $666.1 billion. The President's recommendation contemplates a $12.8 billion net increase in revenues from current law. The Committee on Finance has reviewed the Administration's revenue-raising proposals within its jurisdiction and voted to forward these proposals to the Budget Committee, without endorsement of any specific proposal or the overall revenue total.

Any final estimate of expected revenues should include an allowance to cover minor tax and tariff legislation. The committee notes that setting a budget resolution revenue total at exactly the level of expected revenues could result in an unfortunate procedural barrier to the consideration of minor tax and tariff bills which have only negligible revenue implications. While such bills have essentially no budgetary impact, they are technically inconsistent with the budget resolution (and after the second budget resolution may be subject to a point of order). To deal with this situation, the Committee on Finance strongly recommends that the revenue total in the budget resolution be set at a level $0.1 billion below the level of revenues otherwise anticipated.

Budget deficit.—Table 3 shows the overall budgetary impact of the Administration's recommendations concerning the fiscal year 1983 congressional budget resolution.

Table 3.—BUDGETARY IMPACT OF ADMINISTRATION'S RECOMMENDATIONS

[In billions of dollars]

	Revenues	Outlays	Deficit
Present law	$653.3	$799.0	$145.6
Administration recommendations	666.1	757.6	91.5

Public debt limit.—The permanent debt limit under existing law is $400 billion. In addition, there is a temporary debt limit in effect which brings the overall limit to $1,079.8 billion. This temporary limit expires on September 30, 1982 and in the absence of further legislation the debt ceiling would decline to the $400 billion permanent level. The projected deficit for fiscal year 1983 will increase the debt subject to limit to a level of $1,254.3 billion on the basis of the President's budget. The Budget Committee may find it necessary to adjust the debt limit estimates to take account of any other appropriate adjustments to the estimates in the budget for programs not within the jurisdiction of the Committee on Finance.

TABLE 4.—PUBLIC DEBT LIMIT ESTIMATES IN PRESIDENT'S BUDGET

	Billions
Estimated debt subject to limit as of Sept. 30, 1981	$1,079.8
Administration's estimate of debt subject to limit Sept. 30, 1982	1,130.0
Plus:	
Federal funds deficit for fiscal year 1983	106.9
Off-budget agency spending financed by Treasury and other financing	17.4
Equals: Debt subject to limit as of Sept. 30, 1983	1,254.3

Tax expenditures.—The Congressional Budget Act of 1974 defines "tax expenditures" as "revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability." In the committee's view, the question of whether a given revenue provision represents a special or a normal application of tax policy is one which in many instances cannot be objectively resolved. For this reason, the committee feels that the only way in which it can comply with the Budget Act's requirement that it present its estimates with respect to tax expenditures is by listing all items which have been so designated in the President's budget. In doing so, however, the committee does not either endorse or reject the contention that any or all of these items designated as tax expenditures represent a departure from normal tax policy.

For the reason stated above, the Finance Committee simply transmits as its report the tax expenditure listing included in Special Analysis G of the President's budget.

Five-year budgetary outlook.—The magnitude and timing of savings or expenditures which may result from changes in the law to be recommended by the committee during the upcoming session of the Congress will depend heavily on the exact nature of each specific legislative change. This result is arrived at only after the entire process of substantive consideration by the committee and the Congress. Moreover, budgetary estimates presented in this letter are net amounts which may ultimately be achieved through a combination of legislative changes involving both increased costs in some cases and cost reductions in others.

Similarly, the revenue estimate for the coming fiscal year is a net figure whose detailed composition and future year impact can be determined only after the committee has completed the legislative consideration of various competing proposals. Its goals will be established which vary from year to year depending upon the changing economic needs and conditions of the country.

The committee recognizes that the Congressional Budget Act requires the Budget Committees to undertake an analysis of the five-year budgetary outlook and include projections in their reports on the budget resolution. This is a useful and appropriate element in congressional consideration of broad budgetary perspectives. However, for the reasons cited above, the committee believes that an attempt by substantive committees to provide detailed projections of the likely impact of legislative changes on future fiscal years would be a highly speculative exercise if done prior to actual legislative consideration. The committee does recognize the importance of future year budgetary impact projections and believes that the Budget Act and the Standing Rules of the Senate properly impose on substantive committees the obligation to make such projections when they have completed legislative consideration and are reporting a measure to the Senate.

To assist the Budget Committee in carrying out its responsibilities for long-range projections, I am enclosing a copy of Finance Committee Print 97-11 which includes present law projections of certain trust fund programs (see pages 16 and 54-55). Present law revenue projections appear in the Administration's fiscal year 1983 budget on page 4-2.

The Finance Committee staff is available to answer any additional questions you may have on these estimates.

Sincerely yours,

Bob Dole, *Chairman.*

APPENDIX B

Excerpt From Public Law 93-344—The Congressional Budget and Impoundment Control Act of 1974

TITLE III—CONGRESSIONAL BUDGET PROCESS

TIMETABLE

31 USC 1321. Sec. 300. The timetable with respect to the congressional budget process for any fiscal year is as follows:

On or before:	Action to be completed:
November 10	President submits current services budget.
15th day after Congress meets	President submits his budget.
March 15	Committees and joint committees submit reports to Budget Committees.
April 1	Congressional Budget Office submits report to Budget Committees.
April 15	Budget Committees report first concurrent resolution on the budget to their Houses.
May 15	Committees report bills and resolutions authorizing new budget authority.
May 15	Congress completes action on first concurrent resolution on the budget.
7th day after Labor Day	Congress completes action on bills and resolutions providing new budget authority and new spending authority.
September 15	Congress completes action on second required concurrent resolution on the budget.
September 25	Congress completes action on reconciliation bill or resolution, or both, implementing second required concurrent resolution.
October 1	Fiscal year begins.

ADOPTION OF FIRST CONCURRENT RESOLUTION

31 USC 1322. Sec. 301. (a) Action To Be Completed by May 15.—On or before May 15 of each year, the Congress shall complete action on the first concurrent resolution on the budget for the fiscal year beginning on October 1 of such year. The concurrent resolution shall set forth—

Contents.

(1) the appropriate level of total budget outlays and of total new budget authority;

(2) an estimate of budget outlays and an appropriate level of new budget authority for each major functional category, for contingencies, and for undistributed intragovernmental transactions, based on allocations of the appropriate level of total budget outlays and of total new budget authority;

(3) the amount, if any, of the surplus or the deficit in the budget which is appropriate in light of economic conditions and all other relevant factors;

(4) the recommended level of Federal revenues and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased by bills and resolutions to be reported by the appropriate committees;

(5) the appropriate level of the public debt, and the amount, if any, by which the statutory limit on the public debt should be increased or decreased by bills and resolutions to be reported by the appropriate committees; and

(6) such other matters relating to the budget as may be appropriate to carry out the purposes of this Act.

(b) Additional Matters in Concurrent Resolution.—The first concurrent resolution on the budget may also require—

(1) a procedure under which all or certain bills and resolutions providing new budget authority or providing new spending authority described in section 401(c)(2)(C) for such fiscal year shall not be enrolled until the concurrent resolution required to be reported under section 310(a) has been agreed to, and, if a reconciliation bill or reconciliation resolution, or both, are required to be reported under section 310(c), until Congress has completed action on that bill or resolution, or both; and

(2) any other procedure which is considered appropriate to carry out the purposes of this Act.

Not later than the close of the Ninety-fifth Congress, the Committee on the Budget of each House shall report to its House on the implementation of procedures described in this subsection.

Report to Congress.

(c) VIEWS AND ESTIMATES OF OTHER COMMITTEES.—On or before March 15 of each year, each standing committee of the House of Representatives shall submit to the Committee on the Budget of the House, each standing committee of the Senate shall submit to the Committee on the Budget of the Senate, and the Joint Economic Committee and Joint Committee on Internal Revenue Taxation shall submit to the Committees on the Budget of both Houses—

Submittal to congressional committees.

(1) its views and estimates with respect to all matters set forth in subsection (a) which relate to matters within the respective jurisdiction or functions of such committee or joint committee; and

(2) except in the case of such joint committees, the estimate of the total amounts of new budget authority, and budget outlays resulting therefrom, to be provided or authorized in all bills and resolutions within the jurisdiction of such committee which such committee intends to be effective during the fiscal year beginning on October 1 of such year.

The Joint Economic Committee shall also submit to the Committees on the Budget of both Houses, its recommendations as to the fiscal policy appropriate to the goals of the Employment Act of 1946. Any other committee of the House or Senate may submit to the Committee on the Budget of its House, and any other joint committee of the Congress may submit to the Committees on the Budget of both Houses, its views and estimates with respect to all matters set forth in subsection (a) which relate to matters within its jurisdiction or functions.

60 Stat. 23. 15 USC 1021 note.

(d) HEARINGS AND REPORT.—In developing the first concurrent resolution on the budget referred to in subsection (a) for each fiscal year, the Committee on the Budget of each House shall hold hearings and shall receive testimony from Members of Congress and such appropriate representatives of Federal departments and agencies, the general public, and national organizations as the committee deems desirable. On or before April 15 of each year, the Committee on the Budget of each House shall report to its House the first concurrent resolution on the budget referred to in subsection (a) for the fiscal year beginning on October 1 of such year. The report accompanying such concurrent resolution shall include, but not be limited to—

Concurrent resolution, development.

Report to Congress.

Contents.

(1) a comparison of revenues estimated by the committee with those estimated in the budget submitted by the President;

(2) a comparison of the appropriate levels of total budget outlays and total new budget authority, as set forth in such concurrent resolution, with total budget outlays estimated and total new budget authority requested in the budget submitted by the President;

(3) with respect to each major functional category, an estimate of budget outlays and an appropriate level of new budget authority for all proposed programs and for all existing programs (including renewals thereof), with the estimate and level for existing programs being divided between permanent authority and funds provided in appropriation Acts, and each such division being subdivided between controllable amounts and all other amounts;

(4) an allocation of the level of Federal revenues recommended in the concurrent resolution among the major sources of such revenues;

(5) the economic assumptions and objectives which underlie each of the matters set forth in such concurrent resolution and alternative economic assumptions and objectives which the committee considered;

(6) projections, not limited to the following, for the period of five fiscal years beginning with such fiscal year of the estimated levels of total budget outlays, total new budget outlays, total new budget authority, the estimated revenues to be received, and the estimated surplus or deficit, if any, for each fiscal year in such period, and the estimated levels of tax expenditures (the tax expenditures budget) by major functional categories;

(7) a statement of any significant changes in the proposed levels of Federal assistance to State and local governments; and

(8) information, data, and comparisons indicating the manner in which, and the basis on which, the committee determined each of the matters set forth in the concurrent resolution, and the relationship of such matters to other budget categories.

MATTERS TO BE INCLUDED IN JOINT STATEMENT OF MANAGERS; REPORTS BY COMMITTEES

31 USC 1323. SEC. 302. (a) ALLOCATION OF TOTALS.—The joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall include an estimated allocation, based upon such concurrent resolution as recommended in such conference report, of the appropriate levels of total budget outlays and total new budget authority among each committee of the House of Representatives and the Senate which has jurisdiction over bills and resolutions providing such new budget authority.

Subdivisions. (b) REPORTS BY COMMITTEES.—As soon as practicable after a concurrent resolution on the budget is agreed to—

(1) the Committee on Appropriations of each House shall, after consulting with the Committee on Appropriations of the other House, (A) subdivide among its subcommittees the allocation of budget outlays and new budget authority allocated to it in the joint explanatory statement accompanying the conference report on such concurrent resolution, and (B) further subdivide the amount with respect to each such subcommittee between controllable amounts and all other amounts; and

(2) every other committee of the House and Senate to which an allocation was made in such joint explanatory statement shall, after consulting with the committee or committees of the other House to which all or part of its allocation was made, (A) subdivide such allocation among its subcommittees or among programs over which it has jurisdiction, and (B) further subdivide the amount with respect to each subcommittee or program between controllable amounts and all other amounts.

Each such committee shall promptly report to its House the subdivisions made by it pursuant to this subsection.

Congressional committees' report of subdivisions.

(c) Subsequent Concurrent Resolutions.—In the case of a concurrent resolution on the budget referred to in section 304 or 310, the allocation under subsection (a) and the subdivisions under subsection (b) shall be required only to the extent necessary to take into account revisions made in the most recently agreed to concurrent resolution on the budget.

FIRST CONCURRENT RESOLUTION ON THE BUDGET MUST BE ADOPTED BEFORE LEGISLATION PROVIDING NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, OR CHANGES IN REVENUES OR PUBLIC DEBT LIMIT IS CONSIDERED

Sec. 303. (a) In General.—It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution (or amendment thereto) which provides—

31 USC 1324.

(1) new budget authority for a fiscal year;

(2) an increase or decrease in revenues to become effective during a fiscal year;

(3) an increase or decrease in the public debt limit to become effective during a fiscal year; or

(4) new spending authority described in section 401(c)(2)(C) to become effective during a fiscal year;

until the first concurrent resolution on the budget for such year has been agreed to pursuant to section 301.

(b) Exceptions.—Subsection (a) does not apply to any bill or resolution—

(1) providing new budget authority which first becomes available in a fiscal year following the fiscal year to which the concurrent resolution applies; or

(2) increasing or decreasing revenues which first become effective in a fiscal year following the fiscal year to which the concurrent resolution applies.

(c) Waiver in the Senate.—

(1) The committee of the Senate which reports any bill or resolution to which subsection (a) applies may at or after the time it reports such bill or resolution, report a resolution to the Senate (A) providing for the waiver of subsection (a) with respect to such bill or resolution, and (B) stating the reasons why the waiver is necessary. The resolution shall then be referred to the Committee on the Budget of the Senate. That committee shall report the resolution to the Senate within 10 days after the resolution is referred to it (not counting any day on which the Senate is not in session) beginning with the day following the day on which it is so referred, accompanied by that committee's recommendations and reasons for such recommendations with respect to the resolution. If the committee does not report the resolution within such 10-day period, it shall automatically be discharged from further consideration of the resolution and the resolution shall be placed on the calendar.

Resolution referral. Report to Senate.

(2) During the consideration of any such resolution, debate shall be limited to one hour, to be equally divided between, and controlled by, the majority leader and minority leader or their designees, and the time on any debatable motion or appeal shall be limited to twenty minutes, to be equally divided between, and controlled by, the mover and the manager of the resolution. In the event the manager of the resolution is in favor of any such motion

Debate, time limitation.

or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from the time under their control on the passage of such resolution, allot additional time to any Senator during the consideration of any debatable motion or appeal. No amendment to the resolution is in order.

(3) If, after the Committee on the Budget has reported (or been discharged from further consideration of) the resolution, the Senate agrees to the resolution, then subsection (a) of this section shall not apply with respect to the bill or resolution to which the resolution so agreed to applies.

PERMISSIBLE REVISIONS OF CONCURRENT RESOLUTIONS OF THE BUDGET

31 USC 1325.

SEC. 304. At any time after the first concurrent resolution on the budget for a fiscal year has been agreed to pursuant to section 301, and before the end of such fiscal year, the two Houses may adopt a concurrent resolution on the budget which revises the concurrent resolution on the budget for such fiscal year most recently agreed to.

PROVISIONS RELATING TO THE CONSIDERATION OF CONCURRENT RESOLUTIONS ON THE BUDGET

31 USC 1326.

SEC. 305. (a) PROCEDURE IN HOUSE OF REPRESENTATIVES AFTER REPORT OF COMMITTEE; DEBATE.—

(1) When the Committee on the Budget of the House has reported any concurrent resolution on the budget, it is in order at any time after the tenth day (excluding Saturdays, Sundays, and legal holidays) following the day on which the report upon such resolution has been available to Members of the House (even though a previous motion to the same effect has been disagreed to) to move to proceed to the consideration of the concurrent resolution. The motion is highly privileged and is not debatable. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

Debate, time limitation.

(2) General debate on any concurrent resolution on the budget in the House of Representatives shall be limited to not more than 10 hours, which shall be divided equally between the majority and minority parties. A motion further to limit debate is not debatable. A motion to recommit the concurrent resolution is not in order, and it is not in order to move to reconsider the vote by which the concurrent resolution is agreed to or disagreed to.

(3) Consideration of any concurrent resolution on the budget by the House of Representatives shall be in the Committee of the Whole, and the resolution shall be read for amendment under the five-minute rule in accordance with the applicable provisions of rule XXIII of the Rules of the House of Representatives. After the Committee rises and reports the resolution back to the House, the previous question shall be considered as ordered on the resolution and any amendments thereto to final passage without intervening motion; except that it shall be in order at any time prior to final passage (notwithstanding any other rule or provision of law) to adopt an amendment (or a series of amendments) changing any figure or figures in the resolution as so reported to the extent necessary to achieve mathematical consistency.

Debate, time limitation.

(4) Debate in the House of Representatives on the conference report or any concurrent resolution on the budget shall be limited to not more than 5 hours, which shall be divided equally between the majority and minority parties. A motion further to limit debate is not debatable. A motion to recommit the conference report is not in order, and it is not in order to move to reconsider the vote by which the conference report is agreed to or disagreed to.

(5) Motions to postpone, made with respect to the consideration of any concurrent resolution on the budget, and motions to proceed to the consideration of other business, shall be decided without debate.

(6) Appeals from the decisions of the Chair relating to the application of the Rules of the House of Representatives to the procedure relating to any concurrent resolution on the budget shall be decided without debate.

(b) PROCEDURE IN SENATE AFTER REPORT OF COMMITTEE; DEBATE; AMENDMENTS.—

Debate, time limitation.

(1) Debate in the Senate on any concurrent resolution on the budget, and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 50 hours, except that, with respect to the second required concurrent resolution referred to in section 310(a), all such debate shall be limited to not more than 15 hours. The time shall be equally divided between, and controlled by, the majority leader and the minority leader or their designees.

(2) Debate in the Senate on any amendment to a concurrent resolution on the budget shall be limited to 2 hours, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, and debate on any amendment to an amendment, debatable motion, or appeal shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, except that in the event the manager of the concurrent resolution is in favor of any such amendment, motion, or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. No amendment that is not germane to the provisions of such concurrent resolution shall be received. Such leaders, or either of them, may, from the time under their control on the passage of the concurrent resolution, allot additional time to any Senator during the consideration of any amendment, debatable motion, or appeal.

(3) A motion to further limit debate is not debatable. A motion to recommit (except a motion to recommit with instructions to report back within a specified number of days, not to exceed 3, not counting any day on which the Senate is not in session) is not in order. Debate on any such motion to recommit shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution.

(4) Notwithstanding any other rule, an amendment, or series of amendments, to a concurrent resolution on the budget proposed in the Senate shall always be in order if such amendment or series of amendments proposes to change any figure or figures then contained in such concurrent resolution so as to make such concurrent resolution mathematically consistent or so as to maintain such consistency.

(c) Action on Conference Reports in the Senate.—

(1) The conference report on any concurrent resolution on the budget shall be in order in the Senate at any time after the third day (excluding Saturdays, Sundays, and legal holidays) following the day on which such a conference report is reported and is available to Members of the Senate. A motion to proceed to the consideration of the conference report may be made even though a previous motion to the same effect has been disagreed to.

Debate, time limitation.

(2) During the consideration in the Senate of the conference report on any concurrent resolution on the budget, debate shall be limited to 10 hours, to be equally divided between, and controlled by, the majority leader and minority leader or their designees. Debate on any debatable motion or appeal related to the conference report shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the conference report.

(3) Should the conference report be defeated, debate on any request for a new conference and the appointment of conferees shall be limited to 1 hour, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee, and should any motion be made to instruct the conferees before the conferees are named, debate on such motion shall be limited to one-half hour, to be equally divided between, and controlled by, the mover and the manager of the conference report. Debate on any amendment to any such instructions shall be limited to 20 minutes, to be equally divided between and controlled by the mover and the manager of the conference report. In all cases when the manager of the conference report is in favor of any motion, appeal, or amendment, the time in opposition shall be under the control of the minority leader or his designee.

(4) In any case in which there are amendments in disagreement, time on each amendment shall be limited to 30 minutes, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee. No amendment that is not germane to the provisions of such amendments shall be received.

Conference report, submittal to Congress.

(d) Required Action by Conference Committee.—If, at the end of 7 days (excluding Saturdays, Sundays, and legal holidays) after the conferees of both Houses have been appointed to a committee of conference on a concurrent resolution on the budget, the conferees are unable to reach agreement with respect to all matters in disagreement between the two Houses, then the conferees shall submit to their respective Houses, on the first day thereafter on which their House is in session—

(1) a conference report recommending those matters on which they have agreed and reporting in disagreement those matters on which they have not agreed; or

(2) a conference report in disagreement, if the matter in disagreement is an amendment which strikes out the entire text of the concurrent resolution and inserts a substitute text.

(e) Concurrent Resolution Must Be Consistent in the Senate.—It shall not be in order in the Senate to vote on the question of agreeing to—

(1) a concurrent resolution on the budget unless the figures then contained in such resolution are mathematically consistent; or

(2) a conference report on a concurrent resolution on the budget unless the figures contained in such resolution, as recommended in such conference report, are mathematically consistent.

LEGISLATION DEALING WITH CONGRESSIONAL BUDGET MUST BE HANDLED BY BUDGET COMMITTEES

31 USC 1327.

SEC. 306. No bill or resolution, and no amendment to any bill or resolution, dealing with any matter which is within the jurisdiction of the Committee on the Budget of either House shall be considered in that House unless it is a bill or resolution which has been reported by the Committee on the Budget of that House (or from the consideration of which such committee has been discharged) or unless it is an amendment to such a bill or resolution.

HOUSE COMMITTEE ACTION ON ALL APPROPRIATION BILLS TO BE COMPLETED BEFORE FIRST APPROPRIATION BILL IS REPORTED

31 USC 1328.

SEC. 307. Prior to reporting the first regular appropriation bill for each fiscal year, the Committee on Appropriations of the House of Representatives shall, to the extent practicable, complete subcommittee markup and full committee action on all regular appropriation bills for that year and submit to the House a summary report comparing the committee's recommendations with the appropriate levels of budget outlays and new budget authority as set forth in the most recently agreed to concurrent resolution on the budget for that year.

Summary report, submittal to House.

REPORTS, SUMMARIES, AND PROJECTIONS OF CONGRESSIONAL BUDGET ACTIONS

31 USC 1329.

SEC. 308. (a) REPORTS ON LEGISLATION PROVIDING NEW BUDGET AUTHORITY OR TAX EXPENDITURES.—Whenever a committee of either House reports a bill or resolution to its House providing new budget authority (other than continuing appropriations) or new or increased tax expenditures for a fiscal year, the report accompanying that bill or resolution shall contain a statement, prepared after consultation with the Director of the Congressional Budget Office, detailing—

Contents.

(1) in the case of a bill or resolution providing new budget authority—

(A) how the new budget authority provided in that bill or resolution compares with the new budget authority set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year and the reports submitted under section 302;

(B) a projection for the period of 5 fiscal years beginning with such fiscal year of budget outlays, associated with the budget authority provided in that bill or resolution, in each fiscal year in such period; and

(C) the new budget authority, and budget outlays resulting therefrom, provided by that bill or resolution for financial assistance to State and local governments; and

(2) in the case of a bill or resolution providing new or increased tax expenditures—

(A) how the new or increased tax expenditures provided in that bill or resolution will affect the levels of tax expenditures under existing law as set forth in the report accompanying the first concurrent resolution on the budget for such fiscal year, or, if a report accompanying a subsequently agreed to concurrent resolution for such year sets forth such levels, then as set forth in that report; and

(B) a projection for the period of 5 fiscal years beginning with such fiscal year of the tax expenditures which will result from that bill or resolution in each fiscal year in such period.

No projection shall be required for a fiscal year under paragraph (1) (B) or (2)(B) if the committee determines that a projection for that fiscal year is impracticable and states in its report the reason for such impracticability.

Periodic reports.

Contents.

(b) Up-to-Date Tabulation of Congressional Budget Actions.—The Director of the Congressional Budget Office shall issue periodic reports detailing and tabulating the progress of congressional action on bills and resolutions providing new budget authority and changing revenues and the public debt limit for a fiscal year. Such reports shall include, but are not limited to—

(1) an up-to-date tabulation comparing the new budget authority for such fiscal year in bills and resolutions on which Congress has completed action and estimated outlays, associated with such new budget authority, during such fiscal year to the new budget authority and estimated outlays set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year and the reports submitted under section 302;

(2) an up-to-date status report on all bills and resolutions providing new budget authority and changing revenues and the public debt limit for such fiscal year in both Houses;

(3) an up-to-date comparison of the appropriate level of revenues contained in the most recently agreed to concurrent resolution on the budget for such fiscal year with the latest estimate of revenues for such year (including new revenues anticipated during such year under bills and resolutions on which the Congress has completed action); and

(4) an up-to-date comparison of the appropriate level of the public debt contained in the most recently agreed to concurrent resolution on the budget for such fiscal year with the latest estimate of the public debt during such fiscal year.

Report.

(c) Five-Year Projection of Congressional Budget Action.—As soon as practicable after the beginning of each fiscal year, the Director of the Congressional Budget Office shall issue a report projecting for the period of 5 fiscal years beginning with such fiscal year—

(1) total new budget authority and total budget outlays for each fiscal year in such period;

(2) revenues to be received and the major sources thereof, and the surplus or deficit, if any, for each fiscal year in such period; and

(3) tax expenditures for each fiscal year in such period.

COMPLETION OF ACTION ON BILLS PROVIDING NEW BUDGET AUTHORITY AND CERTAIN NEW SPENDING AUTHORITY

31 USC 1330.

Sec. 309. Except as otherwise provided pursuant to this title, not later than the seventh day after Labor Day of each year, the Congress shall complete action on all bills and resolutions—

(1) providing new budget authority for the fiscal year beginning on October 1 of such year, other than supplemental, deficiency, and continuing appropriation bills and resolutions, and other than the reconciliation bill for such year, if required to be reported under section 310(c); and

(2) providing new spending authority described in section 401 (c)(2)(C) which is to become effective during such fiscal year.

Paragraph (1) shall not apply to any bill or resolution if legislation authorizing the enactment of new budget authority to be provided in such bill or resolution has not been timely enacted.

SECOND REQUIRED CONCURRENT RESOLUTION AND RECONCILIATION PROCESS

31 USC 1331.

SEC. 310. (a) REPORTING OF CONCURRENT RESOLUTION.—The Committee on the Budget of each House shall report to its House a concurrent resolution on the budget which reaffirms or revises the concurrent resolution on the budget most recently agreed to with respect to the fiscal year beginning on October 1 of such year. Any such concurrent resolution on the budget shall also, to the extent necessary—

(1) specify the total amount by which—

(A) new budget authority for such fiscal year;

(B) budget authority initially provided for prior fiscal years; and

(C) new spending authority described in section 401 (c) (2)

(C) which is to become effective during such fiscal year,

contained in laws, bills, and resolutions within the jurisdiction of a committee, is to be changed and direct that committee to determine and recommend changes to accomplish a change of such total amount;

(2) specify the total amount by which revenues are to be changed and direct that the committees having jurisdiction to determine and recommend changes in the revenue laws, bills, and resolutions to accomplish a change of such total amount;

(3) specify the amount by which the statutory limit on the public debt is to be changed and direct the committees having jurisdiction to recommend such change; or

(4) specify and direct any combination of the matters described in paragraphs (1), (2), and (3).

Any such concurrent resolution may be reported, and the report accompanying it may be filed, in either House notwithstanding that that House is not in session on the day on which such concurrent resolution is reported. Filing.

(b) COMPLETION OF ACTION ON CONCURRENT RESOLUTION.—Not later than September 15 of each year, the Congress shall complete action on the concurrent resolution on the budget referred to in subsection (a).

(c) RECONCILIATION PROCESS.—If a concurrent resolution is agreed to in accordance with subsection (a) containing directions to one or more committees to determine and recommend changes in laws, bills, or resolutions, and—

(1) only one committee of the House or the Senate is directed to determine and recommend changes, that committee shall promptly make such determination and recommendations and report to its House a reconciliation bill or reconciliation resolution, or both, containing such recommendations; or

(2) more than one committee of the House or the Senate is directed to determine and recommend changes, each such committee so directed shall promptly make such determination and recommendations, whether such changes are to be contained in a reconciliation bill or reconciliation resolution, and submit such recommendations to the Committee on the Budget of its House, which upon receiving all such recommendations, shall report to its House a reconciliation bill or reconciliation resolution, or both, carrying out all such recommendations without any substantive revision.

Reconciliation resolution.

For purposes of this subsection, a reconciliation resolution is a concurrent resolution directing the Clerk of the House of Representatives or the Secretary of the Senate, as the case may be, to make specified changes in bills and resolutions which have not been enrolled.

(d) COMPLETION OF RECONCILIATION PROCESS.—Congress shall complete action on any reconciliation bill or reconciliation resolution reported under subsection (c) not later than September 25 of each year.

(e) PROCEDURE IN THE SENATE.—

(1) Except as provided in paragraph (2), the provisions of section 305 for the consideration in the Senate of concurrent resolutions on the budget and conference reports thereon shall also apply to the consideration in the Senate of reconciliation bills and reconciliation resolutions reported under subsection (c) and conference reports thereon.

Debate, time limitation.

(2) Debate in the Senate on any reconciliation bill or resolution reported under subsection (c), and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 20 hours.

(f) CONGRESS MAY NOT ADJOURN UNTIL ACTION IS COMPLETED.—It shall not be in order in either the House of Representatives or the Senate to consider any resolution providing for the adjournment sine die of either House unless action has been completed on the concurrent resolution on the budget required to be reported under subsection (a) for the fiscal year beginning on October 1 of such year, and, if a reconciliation bill or resolution, or both, is required to be reported under subsection (c) for such fiscal year, unless the Congress has completed action on that bill or resolution, or both.

NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY AND REVENUE LEGISLATION MUST BE WITHIN APPROPRIATE LEVELS

31 USC 1332.

SEC. 311. (a) LEGISLATION SUBJECT TO POINT OF ORDER.—After the Congress has completed action on the concurrent resolution on the budget required to be reported under section 310(a) for a fiscal year, and, if a reconciliation bill or resolution, or both, for such fiscal year are required to be reported under section 310(c), after that bill has been enacted into law or that resolution has been agreed to, it shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or amendment providing additional new budget authority for such fiscal year, providing new spending authority described in section 401(c)(2)(C) to become effective during such fiscal year, or reducing revenues for such fiscal year, or any conference report on any such bill or resolution, if—

(1) the enactment of such bill or resolution as reported;

(2) the adoption and enactment of such amendment; or

(3) the enactment of such bill or resolution in the form recommended in such conference report;

would cause the appropriate level of total new budget authority or total budget outlays set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year to be exceeded, or would cause revenues to be less than the appropriate level of revenues set forth in such concurrent resolution.

(b) DETERMINATION OF OUTLAYS AND REVENUES.—For purposes of subsection (a), the budget outlays to be made during a fiscal year and revenues to be received during a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or the Senate, as the case may be.

TITLE IV—ADDITIONAL PROVISIONS TO IMPROVE FISCAL PROCEDURES

BILLS PROVIDING NEW SPENDING AUTHORITY

31 USC 1351.

SEC. 401. (a) LEGISLATION PROVIDING CONTRACT OR BORROWING AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which provides new spending authority described in subsection (c)(2)(A) or (B) (or any amendment which provides such new spending authority), unless that bill, resolution, or amendment also provides that such new spending authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

(b) LEGISLATION PROVIDING ENTITLEMENT AUTHORITY.—

(1) It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which provides new spending authority described in subsection (c)(2)(C) (or any amendment which provides such new spending authority) which is to become effective before the first day of the fiscal year which begins during the calendar year in which such bill or resolution is reported.

(2) If any committee of the House of Representatives or the Senate reports any bill or resolution which provides new spending authority described in subsection (c)(2)(C) which is to become effective during a fiscal year and the amount of new budget authority which will be required for such fiscal year if such bill or resolution is enacted as so reported exceeds the appropriate allocation of new budget authority reported under section 302(b) in connection with the most recently agreed to concurrent resolution on the budget for such fiscal year, such bill or resolution shall then be referred to the Committee on Appropriations of that House with instructions to report it, with the committee's recommendations, within 15 calendar days (not counting any day on which that House is not in session) beginning with the day following the day on which it is so referred. If the Committee on Appropriations of either House fails to report a bill or resolution referred to it under this paragraph within such 15-day period, the committee shall automatically be discharged from further consideration of such bill or resolution and such bill or resolution shall be placed on the appropriate calendar.

Referral to Appropriations Committee.

Discharge from consideration.

Placement on calendar.

Committee jurisdiction.

(3) The Committee on Appropriations of each House shall have jurisdiction to report any bill or resolution referred to it under paragraph (2) with an amendment which limits the total amount of new spending authority provided in such bill or resolution.

(c) DEFINITIONS.—

(1) For purposes of this section, the term "new spending authority" means spending authority not provided by law on the effective date of this section, including any increase in or addition to spending authority provided by law on such date.

(2) For purposes of paragraph (1), the term "spending authority" means authority (whether temporary or permanent)—

(A) to enter into contracts under which the United States is obligated to make outlays, the budget authority for which is not provided in advance by appropriation Acts;

(B) to incur indebtedness (other than indebtedness incurred under the Second Liberty Bond Act) for the repayment of which the United States is liable, the budget authority for which is not provided in advance by appropriation Acts; and

40 Stat. 288.
31 USC 774.

(C) to make payments (including loans and grants), the budget authority for which is not provided for in advance by appropriation Acts, to any person or government if, under the provisions of the law containing such authority, the United States is obligated to make such payments to persons or governments who meet the requirements established by such law.

Such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government.

(d) EXCEPTIONS.—

(1) Subsections (a) and (b) shall not apply to new spending authority if the budget authority for outlays which will result from such new spending authority is derived—

49 Stat. 620.
42 USC 1305.

(A) from a trust fund established by the Social Security Act (as in effect on the date of the enactment of this Act); or

(B) from any other trust fund, 90 percent or more of the receipts of which consist or will consist of amounts (transferred from the general fund of the Treasury) equivalent to amounts of taxes (related to the purposes for which such outlays are or will be made) received in the Treasury under specified provisions of the Internal Revenue Code of 1954.

68A Stat. 3.
26 USC 1 et seq.

(2) Subsections (a) and (b) shall not apply to new spending authority which is an amendment to or extension of the State and Local Fiscal Assistance Act of 1972, or a continuation of the program of fiscal assistance to State and local governments provided by that Act, to the extent so provided in the bill or resolution providing such authority.

86 Stat. 919.
31 USC 1221 note.

(3) Subsections (a) and (b) shall not apply to new spending authority to the extent that—

(A) the outlays resulting therefrom are made by an organization which is (i) a mixed-ownership Government corporation (as defined in section 201 of the Government Corporation Control Act), or (ii) a wholly owned Government corporation (as defined in section 101 of such Act) which is specifically exempted by law from compliance with any or all of the provisions of that Act; or

59 Stat. 600;
87 Stat. 1005.
31 USC 856.
59 Stat. 597;
86 Stat. 1274.
31 USC 846.

(B) the outlays resulting therefrom consist exclusively of the proceeds of gifts or bequests made to the United States for a specific purpose.

REPORTING OF AUTHORIZING LEGISLATION

31 USC 1352.

SEC. 402. (a) REQUIRED REPORTING DATE.—Except as otherwise provided in this section, it shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which, directly or indirectly, authorizes the enactment of new budget authority for a fiscal year, unless that bill or resolution is reported in the House or the Senate, as the case may be, on or before May 15 preceding the beginning of such fiscal year.

(b) EMERGENCY WAIVER IN THE HOUSE.—If the Committee on Rules of the House of Representatives determines that emergency conditions require a waiver of subsection (a) with respect to any bill or resolution, such committee may report, and the House may consider and adopt, a resolution waiving the application of subsection (a) in the case of such bill or resolution.

(c) WAIVER IN THE SENATE.—

(1) The committee of the Senate which reports any bill or resolution may, at or after the time it reports such bill or resolution, report a resolution to the Senate (A) providing for the waiver of subsection (a) with respect to such bill or resolution, and (B) stating the reasons why the waiver is necessary. The resolution shall then be referred to the Committee on the Budget of the Senate. That committee shall report the resolution to the Senate, within 10 days after the resolution is referred to it (not counting any day on which the Senate is not in session) beginning with the day following the day on which it is so referred accompanied by that committee's recommendations and reasons for such recommendations with respect to the resolution. If the committee does not report the resolution within such 10-day period, it shall automatically be discharged from further consideration of the resolution and the resolution shall be placed on the calendar.

Referral to Budget Committee.

Report to Senate.

Discharge from consideration.

Placement on calendar.

Debate, time limitation.

(2) During the consideration of any such resolution, debate shall be limited to one hour, to be equally divided between, and controlled by, the majority leader and the minority leader or their designees, and the time on any debatable motion or appeal shall be limited to 20 minutes, to be equally divided between, and controlled by, the mover and the manager of the resolution. In the event the manager of the resolution is in favor of any such motion or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from the time under their control on the passage of such resolution, allot additional time to any Senator during the consideration of any debatable motion or appeal. No amendment to the resolution is in order.

(3) If, after the Committee on the Budget has reported (or been discharged from further consideration of) the resolution, the Senate agrees to the resolution, then subsection (a) of this section shall not apply with respect to that bill or resolution referred to in the resolution.

(d) CERTAIN BILLS AND RESOLUTIONS RECEIVED FROM OTHER HOUSE.—Notwithstanding the provisions of subsection (a), if under that subsection it is in order in the House of Representatives to consider a bill or resolution of the House, then it shall be in order to consider a companion or similar bill or resolution of the Senate; and if under that subsection it is in order in the Senate to consider a bill or resolution of the Senate, then it shall be in order to consider a companion or similar bill of the House of Representatives.

(e) EXCEPTIONS.—

(1) Subsection (a) shall not apply with respect to new spending authority described in section 401(c)(2)(C).

(2) Subsection (a) shall not apply with respect to new budget authority authorized in a bill or resolution for any provision of the Social Security Act if such bill or resolution also provides new spending authority described in section 401(c)(2)(C) which, under section 401(d)(1)(A), is excluded from the application of section 401(b).

(f) STUDY OF EXISTING SPENDING AUTHORITY AND PERMANENT APPROPRIATIONS.—The Committees on Appropriations of the House of Representatives and the Senate shall study on a continuing basis those provisions of law, in effect on the effective date of this section, which provide spending authority or permanent budget authority. Each committee shall, from time to time, report to its House its recommendations for terminating or modifying such provisions.

Report to Congress.

ANALYSIS BY CONGRESSIONAL BUDGET OFFICE

31 USC 1353.

SEC. 403. The Director of the Congressional Budget Office shall, to the extent practicable, prepare for each bill or resolution of a public character reported by any committee of the House of Representatives or the Senate (except the Committee on Appropriations of each House), and submit to such committee—

Submittal to congressional committees.

(1) an estimate of the costs which would be incurred in carrying out such bill or resolution in the fiscal year in which it is to become effective and in each of the 4 fiscal years following such fiscal year, together with the basis for each such estimate; and

(2) a comparison of the estimate of costs described in paragraph (1) with any available estimate of costs made by such committee or by any Federal agency.

The estimate and comparison so submitted shall be included in the report accompanying such bill or resolution if timely submitted to such committee before such report is filed.

JURISDICTION OF APPROPRIATIONS COMMITTEES

SEC. 404. (a) AMENDMENT OF HOUSE RULES.—Clause 2 of rule XI of the Rules of the House of Representatives is amended by redesignating paragraph (b) as paragraph (e) and by inserting after paragraph (a) the following new paragraphs:

"(b) Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

Post, p. 322.

"(c) The amount of new spending authority described in section 401(c)(2) (A) and (B) of the Congressional Budget Act of 1974 which is to be effective for a fiscal year.

"(d) New spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act)."

(b) AMENDMENT OF SENATE RULES.—Subparagraph (c) of paragraph 1 of rule XXV of the Standing Rules of the Senate is amended to read as follows:

"(c) Committee on Appropriations, to which committee shall be referred all proposed legislation, messages, petitions, memorials, and other matters relating to the following subjects:

"1. Except as provided in subparagraph (r), appropriation of the revenue for the support of the Government.

"2. Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

"3. The amount of new spending authority described in section 401(c)(2) (A) and (B) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act).

"4. New advance spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act)."

* * * * * * *

EXERCISE OF RULEMAKING POWERS

31 USC 1301 note.

SEC. 904. (a) The provisions of this title (except section 905) and of titles I, III, and IV and the provisions of sections 606, 701, 703, and 1017 are enacted by the Congress—

(1) as an exercise of the rulemaking power of the House of Representatives and the Senate, respectively, and as such they shall be considered as part of the rules of each House, respectively, or of that House to which they specifically apply, and such rules shall supersede other rules only to the extent that they are inconsistent therewith; and

(2) with full recognition of the constitutional right of either House to change such rules (so far as relating to such House) at any time, in the same manner, and to the same extent as in the case of any other rule of such House.

Waiver.
Ante, pp. 306, 317.

(b) Any provision of title III or IV may be waived or suspended in the Senate by a majority vote of the Members voting, a quorum being present, or by the unanimous consent of the Senate.

Appeals.

(c) Appeals in the Senate from the decisions of the Chair relating to any provision of title III or IV or section 1017 shall, except as otherwise provided therein, be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the resolution, concurrent resolution, reconciliation bill, or rescission bill, as the case may be.

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APPENDIX C

Tax Expenditures by Function
(Excerpt From Special Analyses G of the Budget of the United States, pages G-31–G-33)

Table G-2. **REVENUE LOSS ESTIMATES FOR "TAX EXPENDITURES" BY FUNCTION**

(In millions of dollars)

Description	Fiscal years		
	1982	1983	1984
National defense:			
Exclusion of benefits and allowances to Armed Forces personnel	2,250	2,200	2,250
Exclusion of military disability pensions	165	165	160
International affairs:			
Exclusion of income earned abroad by United States citizens	985	1,285	1,300
Deferral of income of domestic international sales corporations (DISC)	1,550	1,385	1,080
General science, space, and technology:			
Expensing of research and development expenditures	450	−870	−1,235
Credit for increasing research activities	415	645	685
Energy:			
Expensing of exploration and development costs:			
Oil and gas	3,430	1,520	1,215
Other fuels	25	30	30
Excess of percentage over cost depletion:			
Oil and gas	2,100	1,850	1,665
Other fuels	410	505	530
Capital gains treatment of royalties on coal	205	180	180
Exclusion of interest on State and local government industrial development bonds for certain energy facilities	5	15	20
Residential energy credits:			
Supply incentives	250	430	575
Conservation incentives	360	330	305
Alternative, conservation and new technology credits:			
Supply incentives	205	195	200
Conservation incentives	220	125	25
Alternative fuel production credit	15	40	70
Alcohol fuel credit [1]	5	5	5
Energy credit for intercity buses	10	10	10
Natural resources and environment:			
Expensing of exploration and development costs, nonfuel minerals	50	55	60
Excess of percentage over cost depletion, nonfuel minerals	405	440	470
Exclusion of interest on State and local government pollution control bonds	825	975	1,105
Tax incentives for preservation of historic structures	185	270	310
Capital gains treatment of iron ore	20	20	20
Capital gains treatment of certain timber income	335	370	515
Investment credit and seven-year amortization for reforestation expenditures	10	15	20
Agriculture:			
Expensing of certain capital outlays	545	560	585
Capital gains treatment of certain income	610	615	585
Commerce and housing credit:			
Dividend and interest exclusion	2,160	445	435
Exclusion of interest on State and local industrial development bonds	1,640	2,120	2,520
Exemption of credit union income	150	170	185
Excess bad debt reserves of financial institutions	405	405	635
Exclusion of interest on life insurance savings	4,535	4,805	4,170
Deductibility of interest on consumer credit	10,825	10,765	10,540
Deductibility of mortgage interest on owner-occupied homes	23,305	25,065	27,945
Deductibility of property tax on owner-occupied homes	8,360	8,765	9,535
Exclusion of interest on State and local housing bonds for owner-occupied housing	905	1,110	1,290
Capital gains (other than agriculture, timber, iron ore and coal)	18,020	15,890	16,615
Deferral of capital gains on home sales	1,625	1,480	1,740
Exclusion of capital gains on home sales for persons age 55 and over	585	535	630

Table G–2. **REVENUE LOSS ESTIMATES FOR "TAX EXPENDITURES" BY FUNCTION—Continued**

(In millions of dollars)

Description	Fiscal years		
	1982	1983	1984
Carryover basis of capital gains at death	1,995	2,180	2,370
Investment credit, other than ESOP's, rehabilitation of structures, energy property, and reforestation expenditures	16,455	12,985	14,585
Safe harbor leasing rules	3,333	2,990	2,795
Amortization of start-up costs	75	120	180
Exclusion of interest on certain savings certificates	935	1,665	320
Reinvestment of dividends in public utility stock	130	365	415
Transportation:			
Deferral of tax on shipping companies	25	30	40
Exclusion of interest on State and local government industrial development bonds for mass transit	*	5	15
Community and regional development:			
Five-year amortization for housing rehabilitation	45	55	65
Investment credit for rehabilitation of structures (other than historic)	250	335	365
Education, training, employment, and social services:			
Exclusion of interest on State and local student loan bonds	100	155	220
Parental personal exemption for students age 19 or over	1.070	995	950
Exclusion of employee meals and lodging (other than military)	655	680	725
Employer educational assistance	40	40	20
Exclusion of contributions to prepaid legal services plans	20	25	25
Investment credit for ESOPs	1,390	1,250	1,375
Deductibility of charitable contributions (education)	835	775	840
Deductibility of charitable contributions, other than education and health	7,595	7,145	7,190
Credit for child and dependent care expenses	1,175	1,520	1,765
Credit for employment of AFDC recipients and public assistance recipients under work incentive programs	40	*	...
General jobs credit	80	25	*
Targeted jobs credit	235	290	465
Health:			
Exclusion of employer contributions for medical insurance premiums and medical care	16,365	18,645	21,300
Deductibility of medical expenses	3,945	3,105	2,630
Exclusion of interest on State and local hospital bonds	680	865	1,055
Deductibility of charitable contributions (health)	1,245	1,170	1,205
Tax credit for orphan drug research	...	10	15
Income security:			
Exclusion of social security benefits:			
Disability insurance benefits	1,780	1,690	1,660
OASI benefits for retired workers	14,825	15,685	16,680
Benefits for dependents and survivors	3,725	3,765	3,870
Exclusion of railroad retirement system benefits	790	780	735
Exclusion of workmen's compensation benefits	1,730	1,870	2,090
Exclusion of special benefits for disabled coal miners	185	170	165
Exclusion of untaxed unemployment insurance benefits	2,500	3,260	3,020
Exclusion of disability pay	155	145	135
Net exclusion of pension contributions and earnings:			
Employer plans	45,280	49,700	56,560
Plans for self-employed and others	2,835	3,755	4,230
Exclusion of other employee benefits:			
Premiums on group term life insurance	2,035	2,100	2,250
Premiums on accident and disability insurance	120	115	120
Income of trusts to finance supplementary unemployment benefits	10	5	5
Additional exemption for the blind	35	35	35
Additional exemption for elderly	2,385	2,365	2,410
Tax credit for the elderly	135	135	135

Table G-2. **REVENUE LOSS ESTIMATES FOR "TAX EXPENDITURES" BY FUNCTION—Continued**

(In millions of dollars)

Description	Fiscal years		
	1982	1983	1984
Deductibility of casualty losses	920	575	380
Earned income credit [2]	455	385	330
Exclusion of interest on State and local housing bonds for rental housing	395	530	710
Deduction for motor carrier operating rights	140	75	75
Deduction for certain adoption expenses	10	10	10
Veterans benefits and services:			
Exclusion of veterans disability compensation	1,855	1,825	1,830
Exclusion of veterans pensions	330	310	295
Exclusion of GI bill benefits	180	150	130
General government:			
Credits and deductions for political contributions	180	190	200
General purpose fiscal assistance:			
Exclusion of interest on general purpose State and local debt	6,885	8,000	9,105
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	19,160	20,060	21,770
Tax credit for corporations receiving income from doing business in United States possessions	1,375	1,245	1,075
Interest:			
Deferral of interest on savings bonds	135	435	475

* $5 million or less. All estimates have been rounded to the nearest $5 million.

[1] In addition, the exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts of $55 million in 1982, $80 million in 1983, and $90 million in 1984.

[2] The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays is: 1982, $1,280 million; 1983, $1,205 million; 1984, $1,125 million.